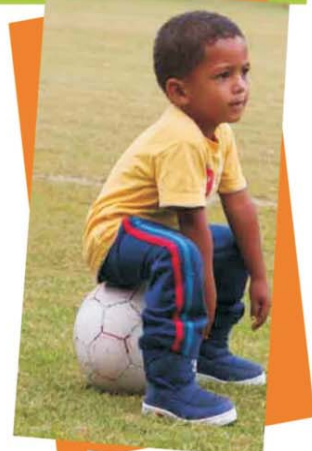
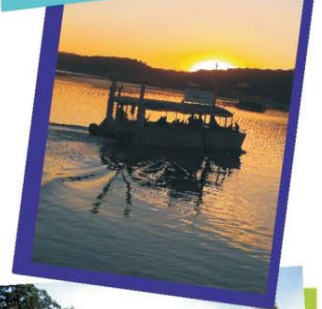


KNYSNA
MUNICIPALITY
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uMASIPALA



ANNUAL REPORT
2008-2009

COMPILED IN TERMS OF SECTION 121 OF THE
MUNICIPAL FINANCE MANAGEMENT ACT
(ACT 56 OF 2003)



LIST OF ABBREVIATIONS

AG	Auditor-General
ASGISA	Accelerated and Shared Growth Initiative for South Africa
BBBEE	Broad Based Black Economic Empowerment
CAPEX	Capital Expenditure
CBP	Community Based Planning
CFO	Chief Financial Officer
DPLG	Directorate of Provincial and Local Government
DWAF	Directorate of Water Affairs and Forestry
EE	Employment Equity
GAMAP	Generally Accepted Municipal Accounting Practices
GDS	Growth and Development Summit
GRAP	Generally Recognised Accounting Practices
GDP	Gross Domestic Product
HR	Human Resources
IDP	Integrated Development Plan
IFRS	International Financial Reporting Standards
IGR	Intergovernmental Relations
IMFO	Institute for Municipal Finance Officers
KPA	Key Performance Area
KPI	Key Performance Indicator
KLM	Knysna Local Municipality
LED	Local Economic Development
MAYCO	Executive Mayoral Committee
MFMA	Municipal Finance Management Act (Act No. 56 of 2003)
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MSA	Municipal Systems Act No. 32 of 2000

MTECH	Medium Term Expenditure Committee
NGO	Non governmental organisation
NSDP	National Spatial Development Perspective
NT	National Treasury
OPEX	Operating expenditure
PMS	Performance Management System
PMU	Performance Management Unit
PT	Provincial Treasury
SALGA	South African Local Government Association
SAMDI	South African Management Development Institute
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
SMME	Small Medium Macro Enterprise

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CHAPTER 1: INTRODUCTION AND OVERVIEW

CHAPTER 1: INTRODUCTION AND OVERVIEW



1.1 MAYOR'S OVERVIEW

It is my privilege to introduce the Annual Report for the 2008/2009 financial year.

The 2008/2009 financial year was an eventful, but also very productive year in which a great deal of progress was made. The stability of Council has contributed to our successes. Services were improved and a number of demanding challenges were overcome. However, this municipality is aware of the fact that challenges still remain and strives to continuously improve on service delivery.

Our key objective, as set out in our five-year Integrated Development Plan (IDP), is to promote economic growth in Knysna by creating a more attractive and enabling urban environment for investors and skilled workers. This environment must also benefit unskilled workers by providing training and employment opportunities, thus creating a sustainable economy with opportunities for all. Upgrading of infrastructure and improving service delivery remains our core focus areas, however we also understand the need to find a balance between development and our natural resources. With these parameters in mind we are doing all we can to facilitate rapid economic growth to, in line with our 2020 vision, create a town that works for all.

To address development in this manner requires an efficient and financially stable administration.

Council works hard towards achieving its objectives in all five key performance areas, namely:

- 1 Basic service delivery and infrastructure development
- 2 Municipal financial viability and management
- 3 Municipal transformation and development
- 4 Local economic development
- 5 Good governance and public participation

Key achievements over the review period include the following:

- Receiving the Govan Mbeki Housing Award for Best Municipality on Housing Delivery;
- Receiving a Green Drop award from the Department of Water Affairs for the most promising performance for smaller waste management systems, and a Blue Drop award for the outstanding quality of drinking water in Sedgefield;
- The rating agencies (Moody's) have given positive ratings for Knysna Municipality as an investment destination despite the global economic recession;
- The Provincial Government has recognized our IDP as one of the three best in the Western Cape Province in terms of credibility framework;
- Independently ranked 5th out of 231 'B'-grade authorities;
- Receiving a clean audit report from the Office of the Auditor-General;
- Improving integrated planning and performance management;
- Achieving to establish an efficient, effective and accountable administration that is people centered.
- Improving public participation in planning, development and decision making during the IDP, Budget and Ward-based Planning processes, as well as other public engagements.

The year ahead:

Despite our achievements during the 2008/09 financial year, there is a lot more to be done. Key challenges for the 2009/10 year ahead, some continuing a process started in previous financial years, include:

1. Improving on housing delivery and careful planning to create harmonious communities where people live, work and play;
2. Addressing the water crisis and implementing plans and strategies to address this issue which has adversely affected the economy and development of Knysna;
3. Upgrade ageing infrastructure and the maintenance thereof;
4. Developing and implementing customer centered models;
5. Accelerating service delivery;
6. Retaining the unqualified audit opinion.

I would like to thank all members of Council, officials and the public for their support during a very challenging year.

The new financial year will be equally – if not more – challenging and I look forward to working with you all to achieve a better life for all.

We have the knowledge and we have a passion for our town and its communities, let us work together as a team to address the challenges ahead of us. By working together we can do MORE!

COUNCILLOR E BOUW-SPIES
EXECUTIVE MAYOR



1.2 OVERVIEW BY THE MUNICIPAL MANAGER

This Annual Report captures Knysna Municipality's strategic focus, provides an overview on its performance and sets out Council's financial position for the 2008/2009 financial year.

Managing and running a town of Knysna's size is a formidable undertaking, requiring a budget of millions of rands and involving members of staff and many service providers. Through their combined efforts, they have to ensure that all residents have adequate clean water and sanitation, that they have electricity to light their homes and fuel their industries, that the solid waste generated by the town is safely disposed of, that the roads are maintained and adequate public transport is provided, that storm water is safely channeled, that all citizens have access to adequate housing, that emergencies can be dealt with rapidly and effectively, and the health of all its citizens is protected and improved.

Knysna Municipality's main planning instrument to guide its management and development is a five-year plan, the Integrated Development Plan (IDP). This plan is based on strategic focus areas and targets for the financial years 2007/8 to 2011. This is the second year (2008/09) in which Knysna's achievements can be evaluated against these five-year plan goals. The Council has used the Service Delivery and Budget Implementation Plan (SDBIP) and the critical components of the balanced scorecard methodology to measure and report on its actual performance against output targets. In many instances, Knysna Municipality has not only met those stringent targets, but surpassed them.

Our Integrated Development Plan (IDP) attempts to approach the challenges of development and long-term sustainability from a holistic perspective, and there are many Council strategies and initiatives, large and small, that show great promise or are delivering significant results. Long-term success in developing our town and ensuring the sustainability of any new initiatives demands good governance and transparency at all levels of municipal management and administration.

Some of our challenges moving forward are being highlighted under point 1.6 Table 6 of this Annual Report.

We will challenge ourselves as administration to ensure that we fulfill on our Developmental Local Government goals and challenges. We achieve this by working closely with the political office bearers by implementing our Service Delivery Budget Implementation Plan with strong focus on performing our duties without any fear or prejudice. The time has come for all employees of Knysna Municipality to put shoulder to the wheel and delivery a high standard of service to our community.

As Municipal Manager I am proud to say that we have done a lot, but together we can do more.

JB DOUGLAS
MUNICIPAL MANAGER

1.3 INTRODUCTION AND OVERVIEW-LEGISLATIVE IMPERATIVES

The Municipal Finance Management Act (MFMA) requires that a municipality prepares an Annual Report for each financial year. The Annual Report is a measure of ensuring that there is regular, impartial feedback to stakeholders and that accountability and thereby transparency is strengthened.

Section 46(1) of the Municipal Systems Act (MSA) requires municipalities to prepare a performance report for each financial year, setting out performance of the municipality and its external service providers, providing a comparison between targets and performance in the previous financial year and improved measures taken. The annual performance report must form part of the annual report.

The legislative provisions of the MFMA regarding annual reporting are set out in the following table:

SECTION	REQUIREMENT	LEGISLATIVE PROVISION
121(3)(a)	Annual Report with consolidated financial statements	Annual financial statements of the municipality, and, in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1)
121(3)(b)	Auditor-General's audit report	Auditor-General's audit report in terms of section 126(3) on those financial statements
121(3)(c)	Annual performance report	Annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act
121(3)(d)	Auditor-General's performance audit report	Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act
121(3)(e)	Accounting Officer's assessment on arrears	Assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges
121(3)(f)	Accounting Officer's assessment of performance on each vote of the budget	Assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for each vote in the municipality's approved budget for the relevant financial year
121(3)(g)	Audit corrective actions	Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d)
121(3)(h)	Explanations to clarify financial statements	Explanations that may be necessary to clarify issues in connection with the financial statements
121(3)(i)	Other information	Information as determined by the municipality
121(3)(j)	Audit Committee recommendations	Recommendations of the municipality's Audit Committee
121(3)(k)	Other prescribed information	Other information as may be prescribed

Table 1: MFMA requirements for the Annual Report

The 2008/09 Annual Report reflects on the performance of the Knysna Municipality for the period 1 July 2008 to 30 June 2009.

The Knysna Municipal Council has implemented a five-year plan, the Integrated Development Plan (IDP), determining how it will spend its budget from 2008/9 until 2011/12. This principal strategic planning instrument is agreed upon between local government and the residents of Knysna.

Budget priorities are then set for the entire town to optimally deploy resources. It also informs the Council's contribution to joint undertakings with Provincial and National Government. The basis of the five-year plan is infrastructure-led economic growth – using services and investments to make Knysna Municipality more attractive to investors and skilled workers. The town must become more globally competitive because investors create jobs and help to drive development.

This will create more opportunities for all citizens, including the poor and unemployed. The overall five-year plan is reviewed annually as new challenges and opportunities arise.

In order to measure and report on actual performance against its targets, the Council uses the Service Delivery and Budget Implementation Plan (SDBIP) and the critical components of the balanced scorecard methodology to cascade strategy down into the lower levels of the organisation. The Council has also aligned itself with national financial objectives by incorporating the national performance indicators into the corporate scorecard, which is monitored regularly. The Council performance highlights for 2008/9 will be reported within these parameters.

1.4 KNYSNA MUNICIPALITY AT A GLANCE

GEOGRAPHY & CLIMATE

- GPS position : - 34,029999 Latitude / 23,059999 Longitude
- Time Zone : GMT + 2 hours

The Knysna region covers a total surface 1 059 km². The town is situated along the northern shores of the Knysna Lagoon, while the region is bordered by the Outeniqua Mountains and the Indian Ocean.

The area enjoys a mild climate with an average annual rainfall of 750 mm and temperatures ranging from 8°C in winter, to 28°C in summer, making it both a favourite holiday and retirement destination. The natural beauty of the surroundings has enticed artists of all discipline, earning it the reputation of artistic capital of the Garden Route.

The region's flora includes Afro-montane, or temperate rainforest, which covers the hilly terrain. An abundance of unique Cape Fynbos ('fine or delicate bush') grows throughout the region.

Knysna Municipality is situated in the Southern Cape which is a renowned tourist destination in the Republic of South Africa. It is on the Garden Route, about 500 km's East from Cape Town on the N2 between George and Plettenberg Bay. At present, the Municipal area of Knysna includes the surrounding towns of Buffalo Bay, Sedgfield, Rheenendal, Brenton, Karatara, Knoetzie and Belvidere. Although branch offices exist in the surrounding towns, the main Municipal activities take place in Knysna.

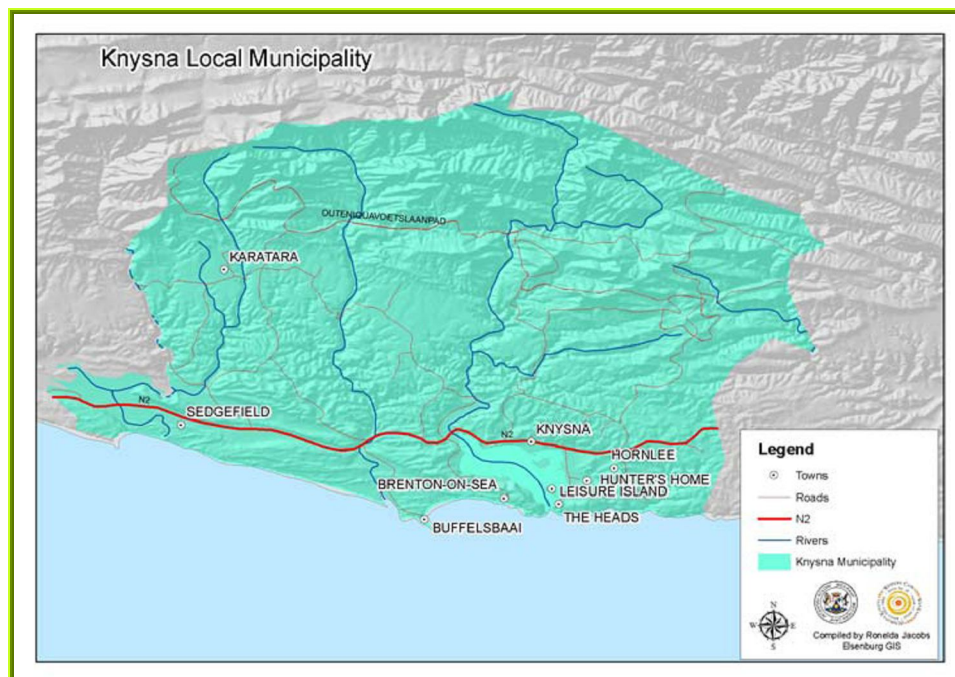
WARDS

The Municipality is currently structured into the following 8 Wards:

WARD	AREAS
1	Sedgefield, Smutsville & Sizamile
2	Karatara, Rheenendal, Buffel's Bay, Bibbie's Hoek, Agricultural areas
3	Town Hall, Lower & Upper Old Place, Town East of Long Street, Khayaletu North & South, Edameni; Brackenhill
4	White Location, Flenters, Rhobololo, Qolweni, Ethembeni
5	Brenton, Belvidere, Knysna Town, Leisure Isle, Paradise, Sparrebosch, Knysna Heads, Rexford, Hunter's Home
6	Hornlee, Sunridge, Hornlee Ext
7	Dam-se-Bos, Nekkies, Oupad, Hlalani, Hornlee (Fortuin Street & Donkerhoek)
8	Vermont, Fraaisig, Thessen Isle, Jood-se-Kamp, Concordia, Bongani

Table 2: Municipal Wards

Below is a map of the Knysna Municipality that indicates the location of the smaller towns and townships, as well as a topographical map of the Knysna area:





The Greater Knysna Municipal Area is made up of socially and racially diverse communities. Due to in migration the area has experienced a rapid growth of a predominantly poor population. It is an area blessed with extraordinary environmental resources comprising majestic mountains, vleis, estuaries, indigenous forests, rocky coastlines and beaches. These special natural attributes form the basis of tourism which contributes significantly to local economy. Knysna town and Sedgefield are the two primary urban settlements where retail and commercial activity are concentrated. On the plateau above the towns lie the population nodes of Karatara and Rhenenendal.

The largest portion of the population of Knysna is located in the area north of the town generally referred to as the "Northern Areas". More than 3 500 housing units will be built here in the Vision 2002 and Flenters projects. Hornlee, located east of Knysna town, is another significant suburb comprised of predominantly middle to low income families. The Eastern and Western shores of the Knysna lagoon are flanked by attractive and well established "suburban" communities. The most significant new residential developments are the Golf Estates at Simola and Pezula and the Marina on Thesen Island.

POPULATION

The population for Knysna Municipality amounted 65 043 people in 2007. The population is diversified across race groups and culture and are characterised by varying levels of socioeconomic status and education. Knysna's economy grew positively over the 2001 to 2007 period, which has supported labour absorption initiatives in the municipal area. The municipality has done well in respect of improving access to basic services and implements sound governance and administration practices.

Knysna has the 4th largest population in Eden District with a population size of 65 043 people in 2007 compared to 51 468 people in 2001. The population grew on average by 3.9 per cent between 2001 and 2007. Males accounted for 50.6 per cent of the total Knysna population in 2007 while females accounted for 49.4 per cent.

GENDER RATIO:

The gender ratio in 2001 was 97 males per 100 females, while in 2007 it increased to 102 males per 100 females. The male population increased from 25 357 people in 2001 to 32 888 people in 2007, at an average annual growth rate of 4.4 per cent. The female population increased from 26 111 people in 2001 to 32 155 people in 2007, which represents an average annual growth rate of 3.5 per cent.

Children accounted for 25.6 per cent (16 646) of Knysna's population in 2007. The child dependency ratio for 2007 is 37.3 per cent, which is a slight improvement from the 2001 ratio of 39.4 per cent. The youth⁴ represented 37.3 per cent of the population in 2007 and together with children represent 62.9 per cent of Knysna's population; hence Knysna has a relatively youthful population.

The working age population (15-64 years) accounted for 68.6 per cent of Knysna's population in 2007, growing at an average annual rate of 4.5 per cent over the period 2001 to 2007. Persons aged 65 years and older accounted for 5.9 per cent of the total population in 2007, down from 7.2 per cent in 2001. The aged dependency ratio also declined over the period from 10.9 per cent in 2001 to 8.5 per cent in 2007.

The overall dependency ratio improved from 50.3 per cent in 2001 to 45.9 per cent in 2007. The improved dependency ratio can be attributed to growth within the working age population being greater than growth within the children and elderly populations over the 2001 to 2007 period.

The Coloured racial group was the largest population group in Knysna in both 2001 and 2007, growing at an average annual rate of 4.1 per cent between 2001 and 2007. The Black racial group at 44.3 per cent of the total population was the second largest population group in 2007, growing at average annual rate of 4.1 per cent between 2001 and 2007. The White racial group maintained its ranking of the third largest population group in 2007 at 13 203 people, up from 12 342 people in 2001. Representation by the Indian/Asian population in Knysna Municipality grew at an average annual rate of 17.0 per cent between 2001 and 2007, from a relatively small base of 102 people in 2001 to 261 people in 2007, representing less than 1.0 per cent of the total population in 2007.

Table 1: Knysna's population groups, 2001 and 2007

Population Group	2001	2007	Average annual growth rate 2001-2007 (%)
Black	16 423	22 773	5.6
Coloured	22 608	28 806	4.1
Indian or Asian	102	261	17.0
White	12 342	13 203	1.1
TOTAL	51 475	65 043	

Source: Stats SA, Census 2001 and Community Survey 2007

Table 3: Demographic information of the municipal area

Knysna, the town that works for all is committed to bridge the gap between the extremely rich and extremely poor. The business of the Knysna Municipality is firmly entrenched on its mission which requires the need to provide affordable quality services, alleviate poverty and facilitate social and economic development through the Integrated Development Planning (IDP), co-operative governance, skills development and sustainable utilization of resources. Knysna Municipality embraces the notion Development Local Government and subscribes to the following values:

- Service Excellence;
- Integrity and transparency;
- Morality and Honesty;
- Initiative and Innovation;
- Equity and Dignity;
- Commitment and Respect;
- Compassion and Professionalism;
- Conversation and Responsible Development.

Knysna Municipality recognises its developmental role and thus commits itself to facilitate interventions that are going to ensure the creation of new business enterprises, fostering partnerships with other government entities and private sector. The strategic agenda of the Knysna Municipality embraces the following strategic objectives which are fully aligned to the five national KPA's of local government.

A caring and contented town

Knysna Municipality seeks to facilitate real opportunities for the youth, women and disabled and appropriate care for the aged.

A successful and respected town

Knysna Municipality recognizes the fact that a sound economy is the basis for a successful town. We will endeavour to maximize the benefits of growth sectors at all times and explore diversification possibilities with specific focus on the poor.

An attractive and sustainable Town

Knysna Municipality will ensure that a balanced approach is taken with environmental preservation and development of our community.

A reliably functioning town

Knysna Municipality seeks to ensure that all the citizens of the area have appropriate access to municipal services and infrastructure.

A financially sound town

Knysna Municipality will ensure prudent management of public funds, proper management of expenditure and other operational imperatives in order to seek additional financial support.

A dynamic and welcoming town

Knysna Municipality embraces the Batho Pele principles – “putting people first”.

A town prepared for the future

Knysna Municipality positions itself as a leader in using technology and innovation to enhance service delivery to our community.

1.5 PLANNING PROCESSES

The Annual Report addresses the performance of the Knysna Municipality in respect of its core legislative obligations and service delivery priorities. A municipality's performance is assessed primarily against its development priorities and the objectives cited in its Integrated Development Plan (IDP). In light of this, it is important to understand the planning process followed by the Municipality and the outcomes of these planning processes. The end result of the planning processes is defined in the Municipality's IDP.

In terms of the Municipal Systems Act of 2000, the Executive Mayor is responsible for the preparation of the Integrated Development plan (IDP). The co-ordination of this responsibility was assigned to the Municipal Manager, who reports directly to the Executive Mayor. The IDP process and the drafting of outputs were co-coordinated internally and mechanisms were put in place to ensure that all stakeholders contribute to decision-making process.

The IDP Planning Process for Knysna Municipality was as stipulated in the IDP Process Plan adopted by Knysna Municipal Council. The planning phases as per the process plan is indicated in the following table:

Phase No	IDP Milestone	Start date	End date	Total number of days
1	Preparation	10 Augustus 2008	11 September 2009	24
2	Analysis	28 Augustus 2008	10 March 2009	158
3	Objectives, strategies and projects	1 December 2008	16 April 2009	94
4	Ward base plans (IDP/BUDGET IMBIZOS)	8 February 2009	24 February 2009	13
5	Budget summary (IDP/BUDGET IMBIZOS)	26 August 2009	25 January 2009	105
6	Approval	30 April 2009	30 April 2009	1

Table 4: Planning Process 2008-2009 IDP

The main public participation consultation took place through the Public Participation in all eight wards, Community Development Workers, Ward Councillors, Ward Committees, Sector Directorates of

Government and the IDP Representative Forum. This was led and organised by our newly established Public Participation Unit in the Corporate Services Directorate.

The roles and responsibilities of the different stakeholders are outlined in the table below, with specific reference to authority and level of involvement. The Strategic Management Team has been charged with the responsibility of ensuring a smooth flow of work from directorates into the IDP process. The Directorate Heads led that process through the respective five-year plans presented to the Strategic Management Team and thereafter consolidated into the Objectives, Strategies and Projects for the IDP.

Name of structure/ forum	Members	Functions
Strategic Management Team	<ul style="list-style-type: none"> Executive Mayor Mayoral Committee Municipal Manager Heads of Directorates 	<ul style="list-style-type: none"> Engage in strategic discussions regarding the five-year plans for the respective functional areas. Evaluate progress made in the implementation of the process plan and initiate corrective action where necessary. Evaluate the impact of the Integrated Development Plans. Review and refine the vision for the Knysna Municipality. Ensure that the vision is incorporated into the IDP Forum and the Integrated Development Plan. Refine and review IDP objectives, strategies and projects for consideration by Knysna IDP Forum and the incorporation thereof into the Integrated Development Plan. Consider the Infrastructure Investment Plan
IDP Representative Forum	Representatives of: <ul style="list-style-type: none"> National and provincial Directorates Community base organizations NGO's Political parties Ward Committees Business Sector Eden District Municipality 	<ul style="list-style-type: none"> Ensure that every activity and decision taken in its meetings are properly communicated to the forum members' respective constituencies Monitor the implementation of the Integrated Development Plan. Reflect and safeguard community inputs by acting as the spokespersons for the communities. Represent the interests of their communities. Provide feedback to their communities Provide an organisational mechanism for discussion, negotiation and decision making between stakeholders, including the municipal government. Participate in the process of setting and monitoring key performance indicators.
Ward Committees & Community Development Workers	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Serving as communication channel between the Municipal Council and the Community Inform communities of Council Decisions To work with Municipalities in order to help bridge the gap between Government and the communities
Ward Councillors	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> To create platform ward committees and community to engage in the IDP processes, Is the chairperson of the Ward that must make inputs in IDP.

Table 5: IDP consultation forums

1.6 MUNICIPAL CHALLENGES¹

The following challenges are experienced by the municipality:

CHALLENGES	ACTIONS TO ADDRESS
NATIONAL CONTEXT	
South African Environment <ul style="list-style-type: none"> • South Africa has, in the past 12 months, been buffeted by high oil and food prices, energy, higher interest rates, the food crisis in Africa that led to an influx of refugees, as well as xenophobic attacks. • While Knysna Municipality's economic and social development indicators are relatively higher than other municipalities in the region, it also has areas with high poverty levels. • The Northern Areas, Hornlee, Karatara, Rheenendal and Smutsville/Sizamile is the areas with the largest number of poor, inadequately housed and unemployed households. 	<ul style="list-style-type: none"> • Budget for the implementation of Knysna Municipality's Poverty Strategy in conjunction with Government Departments. • To form partnerships with Provincial and National Government and the private sector to address poverty holistically in Knysna.
CDW's :Employed by Province	<ul style="list-style-type: none"> • To engage with Department Local Government through IGR structure to clear the responsibilities and lines of communications of these CDW's.
GOOD GOVERNANCE	
Ward Committees functionality	<ul style="list-style-type: none"> • Speaker to start the process of re-establishing the ward committees where there have collapsed. • The problem is that the members of committees does represent sectors. • The only fully functional ward committees who meet regularly and submit minutes to the administration is the committee of Ward 5. • Ward 1 also has a committee but some of the members resigned and some of the members does not represent sectors.
SERVICE DELIVERY	
Eskom's Electricity Tariff Increases & Notified Demand <ul style="list-style-type: none"> • The incapacity to increase our notified demand by ESKOM cripple municipal services and businesses in the area. • This is having a negative impact on the approval of Developmental planning projects. It resulted in a significant negative impact on the revenue generated from electricity sales. 	<ul style="list-style-type: none"> • To identify alternative and explore energy sources through partnership with Government and private sector.

CHALLENGES	ACTIONS TO ADDRESS
<p>Sustainable urban infrastructure and services</p> <ul style="list-style-type: none"> • With Knysna's growth and in-migration from 51 468 (2001) to 65 043 (2007) at present, the town is suffering from a backlog in bulk infrastructure and provision of basic services. • <u>Informal settlements have mushroomed</u> and where there is existing infrastructure it has not been optimally maintained, especially in the past two decades. • Our <u>aging infrastructure</u> is also a challenge and will be addressed by Council and the administration. • <u>Infrastructure backlogs put pressure on maintaining acceptable and affordable levels of service delivery.</u> This is exacerbated by economic development and population growth pressures. This annual report will highlight many of the Council's achievements in tackling these diverse challenges. • <u>The water crisis in Sedgefield and the serious droughts</u> in the Eden region has put tremendous pressure on Council to seriously re-look it's approach to infrastructure development. • 	<ul style="list-style-type: none"> • Continue to invest in infrastructure through our capital budget and secure external funding to support Council's endeavours.
<p>Public transport</p> <ul style="list-style-type: none"> • Poor integration between different modes of public mobility, as well as basic safety issues, has to date meant increased reliance on private vehicles. • The traffic bottlenecks on N2 at Hospital drive. • The goal is a phased programme to implement an Integrated Transport Plan across the town. 	<ul style="list-style-type: none"> • Implementation and make budgetary provision to implement the Integrated Transport Plan.
<p>Integrated human settlements</p> <ul style="list-style-type: none"> • Housing is one of the greatest challenges facing the Knysna Council, as many people reside in overcrowded conditions, shacks and backyards. The housing register listed approximately 7646 households seeking accommodation in January 2007, including those living in insecure tenure in the backyards of formal and informal housing. This amount does not include the 4000 households which will receive housing via the Upgrading of Informal Settlements Programme. The Housing Department is delivering approximately 250 formal housing opportunities per year. This should, however, be viewed against the pre-determined allocation received from Provincial Government based upon providing informal settlements with essential services and top structures on an incremental basis. 	<ul style="list-style-type: none"> • Over the past decade, Government's response to informal settlements has been characterised by disaster management strategies, with programmes to eradicate informal settlements through large-scale capital-intensive structural interventions. • A special programme will be implemented to address the backyard dwellers housing challenge. • New strategies include incremental in situ upgrades that make improvements while maintaining communities' social networks and livelihood strategies. • There has been more high-level interaction and involvement between the Council and communities to avoid upgrade delays. • The Housing Department, together with Councillors, MAYCO members and the Executive Mayor, held community and public meetings across Knysna to discuss and give feedback on challenges and potential problem areas. • Intergovernmental meetings between Province and Council are also convened on a monthly basis to discuss various housing matters.

CHALLENGES	ACTIONS TO ADDRESS
<p>Water Shortages & Droughts</p>	<ul style="list-style-type: none"> • The water crisis and drought in the Eden region and more specifically Knysna area has affected our economy adversely. • Role out of information and media campaigns to encourage consumers to use water responsibly. • Investigate alternative water sources <ul style="list-style-type: none"> ○ Desalination ○ Construction of dams ○ Drilling of boreholes etc.
<p>Health , social and community development</p> <p>Knysna is a town of both rich and poor.</p> <ul style="list-style-type: none"> • In the 2007/08 financial year, a total of 10 primary health care facilities were located within the Knysna municipal area. • The clinics are located in the following areas within Knysna Municipality: Hornlee, Khayaletu, Knysna town centre and Wit Lokasie. • Mobile services and satellite clinics are located in Keurhoek and Sedgfield, with the third mobile service covering the whole municipal area. 	<ul style="list-style-type: none"> • The Department of Health, Public Works in the Western Cape and Knysna Municipality will construct a community health facility in the Masifunde node.
<p>Safety and security</p> <ul style="list-style-type: none"> • South Africa has a high incidence of crime, especially violent crime. Use of the extremely addictive drug "Tik" (methamphetamine) has spread rapidly in our communities, and has been a key focus the Executive Mayor by her involvement with Knysna Drug and Alcohol Centre this year. Other safety-related issues have included vulnerability to fire, flooding and other natural and human-induced hazards. • Drug related crimes increased at an annual rate of 12.5 per cent, while rape and murders decreased by 91.2 per cent and 23.5 per cent, respectively between 2006/07 and 2007/08. 	<ul style="list-style-type: none"> • The Municipality needs to get more involved with the Community Policing Forums, CBO's
<p>Employment and job creation</p> <ul style="list-style-type: none"> • Unemployment and the discrepancy between the skills available and the skills desperately needed in the economy remain the key economic challenges for the Council. • Over the period 2001 to 2007, the share of female unemployment increased from 52.7 per cent in 2001 to 56.3 per cent in 2007. On the other hand, the share of male unemployment decreased to 43.7 per cent in 2007. Over the period 2001 to 2007, unemployment among males declined at a much faster rate of 7.7 per cent compared to female unemployment at 5.5 per cent. • The potential economically active population² of Knysna Municipality in 2007 was comprised of 45 220 people. The 	<ul style="list-style-type: none"> • To focus on local economic development projects by using our infrastructure/capital budget and EPWP programmes to create short, medium and long term employment opportunities for the most vulnerable groups. • Develop a Trade Investment policy to attract industries into Knysna that will focus on creating sustainable employment opportunities.

² Potentially economically active population is defined as all those who are aged between 15 and 65.

CHALLENGES	ACTIONS TO ADDRESS
labour force grew ³ at an annual average rate of 5.1 per cent over the period 2001 to 2007, with the Labour Force Participation Rate (LFPR) increasing marginally from 65.4 per cent in 2001 to 67.4 per cent 2007. Employment grew by 8.4 per cent during the period 2001 to 2007, while the unemployment rate decreased from 28.6 per cent to 14.18 per cent over the same period. Over the 2001 to 2007 period, the not economically active population increased by 1 024 people.	
Economic Recession	<ul style="list-style-type: none"> Roll out the War on poverty programme to cushion the effect of economic recession on the most vulnerable of society. Implement our credit policy to ensure that council continue to deliver services to all citizens.
BIODIVERSITY & ENVIRONMENTAL ISSUES	
Environment Knysna's natural environment and beauty are among its strongest assets. However, growing patterns of resource use, consumption and pollution threaten the rich yet highly vulnerable ecology, landscapes and resource bases that underpin and sustain the region. The ability to absorb urban-generated waste is increasing, while coastal water quality and freshwater ecosystems is under pressure due to development.	<ul style="list-style-type: none"> Greater focus will be put on biodiversity in the IDP to ensure that Knysna Municipality give justice to this all important issue. Council will closely look at the impact of new developments and the impact thereof.

Table 6: Municipal challenges

1.7 MUNICIPAL PRIORITIES⁴

The following were the priorities of the municipality for the year under review:

Priority	Action with which addressed
Water resources	Research of additional water sources <ul style="list-style-type: none"> Exploring desalination and boreholes
Sewerage and waste water	Upgrading of current systems

³ Labour Force or economically active population (EAP) as it is also known is defined as the total number working aged people between the age of 15-65 years who are available for work, and is either employed or not

⁴ Circular 11 refers to this section as Executive Summary which mainly focuses on the planning process followed by municipal overview, the geographic and demographic information, challenges and planning priorities and the governance structure. The municipality preferred to document the information under the respective topical headers.

Priority	Action with which addressed
General Valuation	Valuation interims and continued review of valuation data
GRAP	Continued implementation of GRAP in line with the Annual Financial Statements
Local Economic Development	The Municipality has developed the Local Economic Development Plan which would serve as a guide to grow the local economy. A fully staffed LED Unit has been established with the assistance of Eden District Municipality's LED Unit.
Township Development	Business Plans were developed for the townships and a total of R 120 million has been secured to drive township development.

Table 7: Municipal priorities

1.8 GOVERNANCE STRUCTURE⁵

The council performs both legislative and executive functions. They focus on legislative, oversight and participatory roles, and have delegated its executive function to the Executive Mayor and the Mayoral Committee. Their role is to debate issues publicly and to facilitate political debate and discussion. The council plays a very active role in the operations of the Municipality. Apart from their functions as decision makers, councillors are also actively involved in community work and the various social programmes in the municipal area.

The Council of the Knysna Municipality comprises of 16 elected Councillors, made up from 8 Ward Councillors and 8 Proportional Representation (PR) Councillors. The portfolio committees are made up of councillors drawn from all political parties.

⁵ Circular 11 refers to this section as Executive Summary which mainly focuses on the planning process followed by municipal overview, the geographic and demographic information, challenges and planning priorities and the governance structure. The municipality preferred to document the information under the respective topical headers.

The party representation in the Council is represented the table below:

Name of councillor	Capacity	Political Party	Ward representing or proportional
 <p>Eleanore Bouw-Spies</p>	Executive Mayor	ANC	Proportional Representative
 <p>Donald Kemoetie</p>	Executive Deputy Mayor/ Executive Councillor Finance	ANC	Ward 6: Hornlee, Sunridge, Hornlee Extension
 <p>Andrew Finn</p>	Executive Councillor Technical Services	ANC	Proportional Representative

Name of councillor	Capacity	Political Party	Ward representing or proportional
 <p>Victor Molosi</p>	Speaker	ANC	<p>Ward 8:</p> <p>Vermont, Fraaisig, Thessen Isle, Jood-se-Kamp, Concordia, Bongani</p>
 <p>Nompumelelo Koti</p>	Executive Councillor Community Services	ANC	<p>Ward 7:</p> <p>Dam-se-Bos, Nekkies, Oupad, Hlalani, Hornlee (Fortuin Street & Donkerhoek)</p>
 <p>Theodoris Naylor</p>	Ward Councillor	DA	<p>Ward 1:</p> <p>Sedgefield, Smutsville & Sizamile</p>

Name of councillor	Capacity	Political Party	Ward representing or proportional
 <p>Lawrence Jule</p>	Ward Councillor	ANC	<p>Ward 2:</p> <p>Karatara, Rheenendal, Buffel's Bay, Bibbie's Hoek, Agricultural areas</p>
 <p>Amy Matungana</p>	Ward Councillor	ANC	<p>Ward 3:</p> <p>Town Hall, Lower & Upper Old Place, Town East of Long Street, Khayaletu North & South, Edameni; Brackenhill</p>
 <p>Sonwabo Loliwe</p>	Ward Councillor	ANC	<p>Ward 4:</p> <p>White Location, Flenters, Rhobololo, Qolweni, Ethembeni</p>

Name of councillor	Capacity	Political Party	Ward representing or proportional
 James Botha	Ward Councillor	DA	Ward 5: Brenton, Belvidere, Knysna Town, Leisure Isle, Paradise, Sparrebosch, Knysna Heads, Rexford, Hunter's Home
 Richard Dawson	Councillor	DA	Proportional Representative
 Winile Joyi	Councillor	NPP	Proportional Representative

Name of councillor	Capacity	Political Party	Ward representing or proportional
 <p>Nofinish Gungubele</p>	Councillor	ANC	Proportional representative
 <p>Henry McCombi</p>	Councillor	DA	Proportional Representative
 <p>Edna October</p>	Councillor	DA	Proportional Representative


Name of councillor	Capacity	Political Party	Ward representing or proportional
 Georlene Wolmarans	Councillor	ID	Proportional Representative

Table 8: Composition of the Council

During the year under review, the Speaker Mr Charl Botha resigned on 31 October 2008 as a councillor and was subsequently appointed as Director: Community Services Ms Lauren Waring on the other hand was appointed as Director: Planning and Development (A new Directorate that was established to deal with building control, town planning, environmental management, land reform and Integrated Human Settlements). With the resignation of Mr. Charl Botha as councillor, Ms. Nofinish Gungubele was inaugurated as a councillor for the ANC on 14 November 2008. On 11 December 2008 Councillor Victor Molosi was elected as the new Speaker of Council and Councillor Nompumelelo Koti as the Member of the Mayoral Committee responsible for Community Services.

The Director Strategic Services Mr Lubabalo Gwintsa resigned in May 2009 and left the services of Knysna Municipality at the end of June 2009. Mr Ed Hill, Chief Town Planner, left the services of Council on 31 December 2008 after a successful career in local government.

1.9 EXECUTIVE MAYORAL COMMITTEE ⁶

The Executive Mayor of the Knysna Municipality, Councillor Eleanore Bouw-Spies, assisted by the Mayoral Committee, heads the executive arm of the Municipality. The Executive Mayor is at the centre of the system of governance, since executive powers are vested in her to manage the day-to-day affairs. This means that she has an overarching strategic and political responsibility. The key element of the executive model is that executive power is vested in the Executive Mayor, delegated by the Council, and as well as

^{5 & 6} Circular 11 refers to this section as Executive Summary which mainly focuses on the planning process followed by municipal overview, the geographic and demographic information, challenges and planning priorities and the governance structure. The municipality preferred to document the information under the respective topical headers.

the powers assigned by legislation. Council is political stable for the last year and half and this contributed to the success of the Municipality and moral of staff.

Although accountable for the strategic direction and performance of the Municipality, the Executive Mayor operates in concert with the Mayoral Committee. Each member is responsible for a portfolio whilst remaining accountable to the Mayoral Committee and the Executive Mayor, in particular. The name of each Member of the Mayoral Committee is listed in the table below:

Name of member	Capacity
Eleanore Bouw-Spies	Executive Mayor
Donald Kemoetie	Deputy Mayor (MMC - Finance)
Andrew Finn	Member (MMC - Technical Services)
Nompumelelo Koti	Member (MMC - Community Services)

Table 9: Composition of Mayoral Committee

Councillor Molosi resigned as Portfolio Chairperson for Community Services to take up the position as Speaker. His resignation as the portfolio chairperson left a vacancy on the Mayoral Committee that was filled Nompumelelo Koti.

1.10 PORTFOLIO COMMITTEES ⁷

The portfolio committees' primary responsibility is to exercise oversight over the executive arm of the municipality's governance structure. These committees monitor the delivery and outputs of the executive and may request Directorates to account for the outputs of their functions. Executive Councillors account for executive decisions and operations performed in general policy framework agreed to by Council and although the portfolio committees play an oversight role, they do not have any decision-making powers. These committees are responsible for submitting their reports to Council as the Legislature. The portfolio committees for the 2006/11 Mayoral Term and their Chairpersons are as follows:

Committee	Chairperson	Number of reports submitted to council in 2008/09
Finance, Economic Development & Governance	Donald Kemoetie	<ul style="list-style-type: none"> • 9 meetings were held • 585 agendas were distributed and 64 reports were received
Infrastructure Development & Integrated Human Settlements	Andrew Finn	<ul style="list-style-type: none"> • 9 meetings were held • 585 agendas were distributed and 204 reports were received
Community Services	Victor Molosi/Nompumelelo Koti	<ul style="list-style-type: none"> • 8 meetings were held • 585 agendas were distributed and 57 reports were received

Table 10: Section 80 Portfolio Committees

1.11 SENIOR MANAGEMENT PROFILE

The Municipal Manager is the Chief Accounting Officer of the Municipality and head of the administration. He primarily serves as chief custodian of service delivery and implementation of political priorities. Mr Johnny Douglas brought stability and visionary leadership to the management of Knysna Municipality. He is assisted by a management team, which consists of the following members:

Name	Directorate
 <p>Johnny Douglas</p>	<p>Municipal Manager (1 Jan 2007 – currently)</p>
 <p>Reginald Smit</p>	<p>Corporate Services (1 Jan 2008 – currently)</p>
 <p>Grant Easton</p>	<p>Financial Services (1 July 2007 (second contract) – currently)</p>

Name	Directorate
 Charl Botha	<p>Community Services (1 November 2008 – currently)</p>
 Lauren Waring	<p>Development & Planning (1 Nov 2008 – currently)</p>
 Neale Perring	<p>Technical Services (1 May 2006 – currently)</p>

Name	Directorate
 <p>Lubabalo Gwintsa</p>	<p>Strategic Services (17 Jul 2006 – 30 June 2009)</p>
 <p>Ed Hill</p>	<p>Town Planning (resigned 30 November 2008)</p>
 <p>Len Richardson</p>	<p>Electro-technical Services (since 1 May 1983 – to date)</p>

Table 11: Management Team

CHAPTER 2:
PERFORMANCE
HIGHLIGHTS

CHAPTER 2: PERFORMANCE HIGHLIGHTS

2.1 INTRODUCTION

The Municipal Systems Act 32 of 2000, the Local Government: Municipal Planning and the Performance Management Regulations 2001, require municipalities to adopt a performance management system. Once the IDP and budget have been prepared and approved, the Municipality prepared a Service Delivery and Budget Implementation Plan (SDBIP) in accordance with the MFMA and MFMA Circular 13. The SDBIP indicates quarterly performance targets, financial performance targets and assigns responsibility to execute the respective performance targets. The Municipality assessed its performance on a quarterly basis and reported progress on performance against targets set to Council and ultimately presents the annual performance in this annual report.

This chapter speaks to the performance highlights in terms of the Municipality's IDP, performance on basic service delivery and backlogs addressed the MIG projects as well as the spending priorities for the following year. It addresses the communication and public participation processes of the Municipality to give a holistic view of how the Municipality communicates performance to its stakeholders.

2.2 GOOD GOVERNANCE AND PUBLIC PARTICIPATION

2.2.1 Communication

Public participation is of critical importance to governance and effective delivery in the municipal area. The Knysna Municipality developed a communication strategy including systems to communicate with all its stakeholders. The Municipality held regular engagements with local communities and ensured that their inputs were taken into account. Public participation events during the year under review were participative and informative.

The communication strategy of the municipality has the following objectives:

- Deliver high standards of communication and information provision through regular communication with municipal staff, local residents, decision makers, stakeholders and our partners.
- Ensure that the communication process is accessible, open and transparent while enabling the Municipality to provide information which informs its decisions, policies, plans and activities.

- Empower local communities by keeping them informed about local government issues and how they can participate in these processes.
- Improve and encourage good media relations.
- Promote and encourage intergovernmental relations.
- Establish a comprehensive diary of events for the municipality.
- Promote a clear understanding of the Municipality's vision, aims and objectives.
- Provide a framework wherein communities have the opportunity to contribute to the decision making process.

The strategy also makes provision for the following external communication documents:

METHOD OF COMMUNICATIONS	DESCRIPTION
1. Newsletter	<ul style="list-style-type: none"> • It is one of the most important tools for the Municipality in communicating with residents, published quarterly and distributed to all the citizens in the Knysna area. It is available at libraries. In addition it is distributed in all languages by the Ward Councillors
2. Publicity and information leaflets	<ul style="list-style-type: none"> • These include promotional material, strategy documents and statutory information to inform the public and partners about municipal activities.
3. Agendas, reports and minutes	<ul style="list-style-type: none"> • these are issued for meetings of Council which can be attended by the public.
4. Media Relations	<ul style="list-style-type: none"> • Media releases and feature material - produced or originated corporately or in conjunction with the Political leadership.
5. Advertising	<ul style="list-style-type: none"> • Produced for information and promotional purposes. It is also used to promote and market the Municipality and decisions taken.
6. Website and E-Communication	<ul style="list-style-type: none"> • Using the Municipality's Website to communicate and market the area. Dedicate one or two pages to the social and economic development of the youth. Highlight strategic messages on the home page.
7. Face-to-face	<ul style="list-style-type: none"> • Consultation exercises, Imbizo, road shows, focus groups, regular meetings, questionnaires etc. These gather information and views from various groups and sections of the community. They are also used for communicating and discussing local issues, performance management and scrutiny and for directing and informing service development and delivery.
8. Contact strategy	<ul style="list-style-type: none"> • This strategy outlines the communications channels within the municipality i.e. – what are the channels available to media and public to contact the municipality, get information and for general enquiries.

2.2.2 Public Participation and IGR

Broader community participation was also enhanced with engagements through the following structures, media, publications and other communication tools:

Structure/ Publication	Frequency	Stakeholders	Objectives/ functions
Ward Committee meetings	Bi-monthly	<ul style="list-style-type: none"> • Ward councillors (Chairpersons) • Ward committee members (Elected from the community) • Community • Senior management personnel of municipality 	<ul style="list-style-type: none"> • To inform the community of council decisions, municipal affairs etc. • To enable the community to inform the ward councillor/ municipality of their concerns.
Public meetings/ Mayoral Imbizo's on IDP & Budget	Annually	<ul style="list-style-type: none"> • Mayor and councillors • Community • Senior management personnel of municipality • Ward Councillors, • Executive Mayor 	<ul style="list-style-type: none"> • To inform the community of council decisions, community rights and duties, municipal affairs etc. • To enable the community to inform the councillors and officials of their issues.
Council meetings (open to public)	<ul style="list-style-type: none"> • 31 July 2008 • 10 September 2008 • 2 October 2008 • 31 October 2008 • 11 December 2008 • 29 January 2009-26 March 2009-29 May 2009 • 25 June 2009 • 30 June 2009 	<ul style="list-style-type: none"> • Mayor and councillors • Senior management personnel of municipality 	<ul style="list-style-type: none"> • To inform the community of council decisions, community rights and duties, municipal affairs etc.
Special IDP and budget engagements	Annually	<ul style="list-style-type: none"> • Mayor and councillors • Community • Senior management personnel of municipality 	<ul style="list-style-type: none"> • To inform the community of IDP and budget related matters • To obtain community input on content of IDP and proposed.
Municipal newsletters	Monthly	<ul style="list-style-type: none"> • Mayor and councillors • Community • Personnel of municipality 	<ul style="list-style-type: none"> • To inform the community of council decisions, events, municipal affairs etc.
Municipal Website	Continuously updated	<ul style="list-style-type: none"> • Mayor and councillors • Community • Personnel of municipality 	<ul style="list-style-type: none"> • To provide comprehensive information of municipal affairs

Structure/ Publication	Frequency	Stakeholders	Objectives/ functions
IDP forum	Quarterly	Representatives of: <ul style="list-style-type: none"> • National and provincial Directorates • Community base organizations • NGO's • Political parties • Ward Committees • Business Sector • Eden District Municipality 	<ul style="list-style-type: none"> • To ensure that every activity and decision taken in its meetings are properly communicated to the forum members' respective constituencies • To monitor the implementation of the Integrated Development Plan. • To reflect and safeguard community inputs by acting as the spokespersons for the communities. • To represent the interests of their communities. • To provide feedback to their communities • To provide an organisational mechanism for discussion, negotiation and decision making between stakeholders, including the municipal government. • To participate in the process of setting and monitoring key performance indicators.
Sector Government Directorates	Quarterly	Relevant Provincial and National Government Sector Directorates	<ul style="list-style-type: none"> • To inform Knysna Municipality of their projects that will be undertaken within our municipal jurisdiction. • To integrate Provincial and National Government projects and programmes. • To allow Government Directorate to make input into IDP instead of just evaluating and assessing our IDP.

Table 12: Public participation tools

The Knysna Municipality also participates actively in the following IGR structures:

STRUCTURE	MUNICIPAL REPRESENTATIVE
Premier's Coordinating Forum	Municipal Manager and Executive Mayor
Provincial Advisory Forum	MM and Executive Mayor
Eden District Coordinating Forum	Executive Mayor & Speaker
Eden District Intergovernmental Forum	MM, Executive Mayor and Speaker
Eden District Communication Forum	Manager Public Participation
Eden District and Provincial IDP Forums	Director Strategic Services & IDP Manager
The Local Government MTECH process	MM and Directors
District Intergovernmental Technical Forum	MM
Municipal Managers Forum	Municipal Manager
SALGA Forums	MM, Directors and Members of the Mayoral Committee
CFO Forum	Director: Financial Services as Chief Financial Officer
MIG forum	Director: Technical Services
PROFTECH	Director: Technical Services
Eden District Public Transport Forum	Director: Technical Services
Eden District CFO Forum	Director Finance
Eden District HR Management Forum	(Manager HR & Director Corporate Services)
Eden District Local Economic Development Forum	Director Strategic Services & LED Manager
District Legal Advisors Forum	(Manager Legal Services)
Water Forums	Gouritz Water Catchment Forum, Wilderness Lakes, Knysna Catchment Management Forum
Provincial IDP Managers Forum	IDP Manager & Director Strategic Services

2.3 PERFORMANCE IN TERMS OF THE NATIONAL KPA's

The performance of the municipality against the National KPA's can be summarised as follows:

KPA & INDICATORS	MUNICIPAL ACHIEVEMENT
<u>Basic Service Delivery</u>	100% - Urban 85% - Informal
(a) The percentage of households with access to basic level of water (<i>This also includes non municipal water sources</i>)(URBAN AREAS)	
(b) The percentage of households with access to basic level of sanitation(URBAN AREAS)	100% - Urban 85% - Informal
(c) The percentage of households with access to basic level of electricity	98%
(d) The percentage of households with access to basic level of solid waste removal (URBAN AREAS)	100%
(e) The percentage of households earning less than R1100 per month with access to free basic services(URBAN AREAS)	100%
<u>Municipal Institutional development and transformation</u>	
(a) The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan	5
(b) The percentage of a municipality's budget actually spent on implementing its workplace skills plan	0.2%
<u>Local economic development</u>	
The number of jobs created through municipality's local, economic development initiatives including capital projects	763
<u>Municipal financial viability and management</u>	
Financial viability as expressed by the following ratios:	8.8 : 1
<ul style="list-style-type: none"> Debt coverage ((Total operating revenue-operating grants received)/debt service payments due within the year) 	
<ul style="list-style-type: none"> Service debtors to revenue – (Total outstanding service debtors/ revenue received for services) 	0.26 : 1
<ul style="list-style-type: none"> Cost coverage ((Available cash+ investments)/ Monthly fixed operating expenditure) 	2.1 : 1
<u>Good governance and public participation</u>	
The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan (internal capital allocation)	88%

Table 13: Performance against National KPA's

2.4 PERFORMANCE HIGHLIGHTS PER MAIN FUNCTIONAL DIVISION

High-level performance highlights with regard to the various main functional divisions in the Municipality are indicated in the table below:

Directorate/ Functional division	Highlights 2008/09
Municipal Manager	<p>1. <u>Good Governance:</u></p> <ul style="list-style-type: none"> • The Council is committed to clean administration and sound corporate governance, with directorates headed by experienced executives. • The Council has stayed well within its budget targets and has shown a prudent approach to revenue and expenditure, taking into account its service responsibilities. It applies sophisticated financial, debt and liquidity management practices, while reporting is comprehensive and timely.
Corporate Services	<p>1. <u>Bursaries & Learnerships</u></p> <ul style="list-style-type: none"> • Awarding of bursaries to 6 learners from the previous disadvantaged areas in the technical fields of Town planning, Civil and Electrical Engineering and Building Construction • The issuing of bursaries to local students on scarce skills has jumped from only one student registered for town planning last year to an additional six students registered in civil, electrical, building construction engineering fields. This will go a long way not only provide scarce skills for a Knysna Municipality for effective service delivery but also to create a pool of scarce skills within the Knysna area. • Awarding 35 learnerships to general workers and foreman to get qualifications in water reticulation, water purification, waste water and supervisory construction • For many years lower level staff, who are mainly from previously disadvantaged groups, did not have training opportunities which would enable them to acquire the skills necessary for growth and development in the organization particularly in the technical fields. During the 2008/2009 financial year about 35 lower level staff (labourers) have been registered in learnerships in water purification, sewerage, water reticulation and electricity. One of the learners in the electricity department Z Mqudlwa has been promoted and is only one level from becoming a qualified electrician. • One of our ABET learners was selected as the best ABET level 4 learner in the region. He has been invited to represent the region at National Level . <p>2. <u>Municipal Organogram:</u></p> <ul style="list-style-type: none"> • The macrostructure has been amended in this reporting year to make provision for the creation of a new directorate of Planning and Development • Organizing the Heritage Day Celebrations in Sedgefield. 120 elderly people attended from the greater Knysna municipal area
Financial Services	<p>1. <u>Valuation Roll:</u></p> <ul style="list-style-type: none"> • Implementation of a new valuation roll of R 22 Billion in terms of Municipal Property Rates Act 6 of 2004 <p>2. <u>Audit Reports</u></p> <ul style="list-style-type: none"> • Clear Audit Report 2007/2008 <p>3. <u>Credit Control:</u></p> <ul style="list-style-type: none"> • Payment Ratio of 94%
Community Services	<p>1. <u>Libraries:</u></p> <ul style="list-style-type: none"> • The establishment of the first container library affiliated to the Provincial Government: Western Cape;

Directorate/ Functional division	Highlights 2008/09
	<ul style="list-style-type: none"> • Securing funds through the Municipal Infrastructure Grant for extending the Knysna Library; <p>2. <u>Community Projects & Cleanup Campaigns:</u></p> <ul style="list-style-type: none"> • Implementation of Municipal wide clean up campaign. • Zero water usage in Municipal landscaped area (indigenous plantings); • 4,150 man day jobs created in the Parks Dept.; • Two play parks installed in Northern areas; • Purchase of wheelie bins and three new trucks with bin lifters for the implementation of the wheelie bins; <p>3. <u>Emergency Services</u></p> <ul style="list-style-type: none"> • The 24 hour operation of the Mother Station in town; • Replacing the old mobile fire fighting unit in Buffalo Bay; • Successful management of the Sedgefield water crisis; <p>4. <u>Law enforcement</u></p> <ul style="list-style-type: none"> • Successful management of public events from both Law-Enforcement- and Traffic officials • New and existing by-laws to curb anti-social behaviour on the streets, and other offences such as illegal dumping and informal trading, were vigorously enforced. Some 18 750 notices were issued during the financial year. <p>5. <u>Xenophobic Attacks:</u></p> <ul style="list-style-type: none"> • The outbreak of xenophobic violence on 22 May 2008 placed a severe strain on the resources of the Law Enforcement Department, which had to contribute to the establishment of safe sites, as well as providing them with security services. During the 2007/8 festive season, the Law Enforcement Department contributed greatly to safety on beaches and at resort areas. This contribution was widely regarded as a major success.
Technical Services	<p>1. <u>Drought Management</u></p> <ul style="list-style-type: none"> • Late 2008 and into 2009 the Southern Cape experienced the most severe drought in memory. • Emergency measures were implemented for Sedgefield and later for Knysna. • Water Demand Management and Awareness was elevated. • Comprehensive Integrated Water and Sanitation Business Plan for the Greater Knysna was prepared and submitted to the Western Cape Provincial Government Task Team. • Thanks to consultants who assisted and Disaster Management, Provincial & District. <p>2. <u>Roads</u></p> <ul style="list-style-type: none"> • Provincial Roads Department undertaking the upgrading of the Lagoon Road. • Knysna Toll Highway the EIA report was completed by SANRAL's consultants and final comments were made. • Construction of the final section of the Concordia bus route was started. • Construction of the new intersection on the N2 to serve Nekkie and Oupad was started. • Salt River road was upgraded and handed over by Simola to the Municipality. <p>3. <u>Water</u></p> <ul style="list-style-type: none"> • Karatara raw water main replacement and dam completed. • DWA Blue Drop/Green Drop evaluation undertaken, Knysna 3rd in Western Cape and received award for Most Promising Performance for Smaller System. • Feasibilities underway for augmentation of bulk water supplies for Knysna. • New water supply mains and reservoirs for Concordia started. <p>4. <u>Sewer</u></p> <ul style="list-style-type: none"> • ROD received for the upgrading of the Knysna Waste Water Treatment Works (WWTW) • Knysna Main Sewer pump station upgrade completed.

Directorate/ Functional division	Highlights 2008/09
	<ul style="list-style-type: none"> Major maintenance and repairs undertaken to Knysna WWTW oxidation ponds. Repairs to collapsed sewer main in Waterfront Drive. Rheenendal WWTW upgrade brought into operation. <p>5. <u>General</u></p> <ul style="list-style-type: none"> Consolidated Infrastructure Plan submitted to Provincial Government Western Cape for Nation program Approval of 2007 flood relief funds were received in 2009 and projects initiated, R19 million. Repairs to sea wall at Leisure Island and Sedgefield Island erosion initiated.
Strategic Services	<p>1. <u>Neighbourhood Development:</u></p> <ul style="list-style-type: none"> We secured R 64 M from NDPG for Nekkie/Hornlee Township Development that led to private sector getting involved to develop a shopping mall in the Masifunde Node. <p>2. <u>Fifa Soccer World Cup 2010</u></p> <ul style="list-style-type: none"> Completion of Fifa 2010 Soccer World Cup Base Camp Business Plan. <p>3. <u>HIV/Aids and TB Strategy</u></p> <ul style="list-style-type: none"> Over the last year Council has had the foresight to prioritise the fight against HIV/Aids and TB, recognising that, without a concerted, multi-sectoral response to moderate both the impact of the epidemics and to address the underlying causes, key developmental priorities in Knysna would be in jeopardy. We developed a HIV/AIDS & TB Strategy to ensure a holistic approach to address this pandemic. These bring together all the local stakeholders involved in HIV/Aids and TB, i.e. NGOs, CBO's, local business, faith-based organisations, local officials, councillors and officials, to develop and drive a coordinated plan that addresses local needs.
Planning and Development	<p>1. <u>Departmental Integration:</u></p> <ul style="list-style-type: none"> The successful integration of the new Directorate: Planning and Development, comprising Directorates which emanated from three different Directorates <p>2. <u>Awards:</u></p> <ul style="list-style-type: none"> The Housing Directorate won three prestigious awards for housing delivery, namely the South African Housing Foundation, the Provincial Govan Mbeki and the National Govan Mbeki awards for Best Municipality. <p>3. <u>Pilots:</u></p> <ul style="list-style-type: none"> Inclusion in the Built Environment Support Program (PAWC) as a best practice for our Spatial Development Framework and the Integrated Human Settlement Strategy Selection as pilot sites for the Youth in Housing, Housing Consumer Education and Backyarder Upgrade initiatives
Electro-technical Services	<p>1. <u>Electrification:</u></p> <ul style="list-style-type: none"> Electrification of Concordia South Area Z <p>2. <u>Upgrading of Infrastructure:</u></p> <ul style="list-style-type: none"> Completion of Phase I of upgrading of the MV Network in the CBD. Installation of new MV link between the Eastford and salt River Substations Completing of Phase 1 of installing of new supply to the Brenton/Belvedere Areas Completing of phase 1 of installing of new MV 300mm² Aluminum cable link between Sedge West and Sedge East Substations

Table 14: High-level performance highlights per main functional division

Additional performance statistics for 2008/09

Description	2008/09	
Traffic services		
Complaints attended by Traffic Officers	2001	
Special Functions - Escorts	233	
Motor Vehicle Licenses	26,992	
Drivers Licenses	2,090	
Traffic Offences –fines issued	29,571	
Fire Services		
Operational call outs	1,021	
Libraries & Museums		
Total number of new members registered	Target: 3,456	Actual: 5,253
Total number of items issued	Target: 380,000	Actual: 489,805
Total number of Study items issued	Target: 25,000	Actual: 19,353
Number of Computer users	Target: 5,900	Actual: 11,974
Time spent on Internet	Target: 2,000	Actual: 14,366
Extent of volunteer involvement days worked	Target: 500	Actual: 452
No of active Museum projects	Target: 24	Actual: 50
Total No of visitors of the Museums	Target: 10,400	Actual: 12,500

Table 15: Additional performance statistics for 2008/09

Detailed information on the performance per KPA's per functional area is discussed in Chapter 4.

2.5 BASIC SERVICES DELIVERY**2.5.1 Provision of free basic services****Equitable services**

Despite these challenges, the target of giving all Council settlements access to a basic water supply was achieved by installing standpipes.

The free basic services with regards to electricity, water, sanitation and refuse removal provided by the Knysna Municipality during the 2008/9 financial year are summarized in the tables below:

Rates:

Account description	R'000
Rates Rebate: Exemptions	452
Rates Rebate: Pensioners	134
Rates Rebate: Domestic 20%	4 549
Rates Rebate: Non-Urban Domestic	4 968
Rates Rebate: Government	225
Total	10 328

Table 16: Rates rebates

Electricity:

Account description	R'000
Electricity Rebate: Bulk Development	134
Electricity Rebate: Free Units	1 770
Total	1 904

Table 17: Free basic electricity

Water:

Account description	R'000
Water Rebate: Free Units	2 684
Water Rebate: Other	35
Water Rebate: R0-R2000	37
Water Rebate: R2001-R2500	56
Water Rebate: R2501-R3500	1 188
Total	4 000

Table 18: Free basic water

Sanitation:

Account description	R'000
Sewer Rebate: Other	65
Sewerage Rebate: R0-R2000	32
Sewerage Rebate: R2001-R2500	50
Sewerage Rebate: R2501-R3500	1 103
Total	1 250

Table 19: Free basic sanitation

Refuse removal:

Account description	R'000
Refuse Rebate: Other	29
Refuse Rebate: R0-R2000	36
Refuse Rebate: R2001-R2500	55
Refuse Rebate: R2501-R3500	1 160
Total	1 280

Table 20: Free basic refuse removal

Total Rates and Services provided free

Account description	R'000
Rates	10 328
Services	8 434
Total	18 762

Table 21: Total Rates and Services provided free

2.5.2 Access to basic municipal services

The following table indicates the number of households that gained access to the different types of basic services in the during the 2007/08 financial year:

Type of service	2007/08	2008/09
Housing	436	248
Water	661	248
Sanitation	661	248
Refuse removal	436	663
Electricity	796	376
Storm Water	210	248

Table 22: Access to basic services – 2008/09

2.5.3 Summary of backlogs that must still be addressed

An analysis of a recent survey that was undertaken by the Eden District Municipality of regional infrastructure revealed the following:

- The local use of the bucket system is at 5,0%. (Toilet facilities in informal settlement and rural areas included). This can be contributed to the increase informal structures in the informal areas.
- Access to water supply in the Greater Knysna Area is almost 100% (8,1% use other water sources and does not have access to piped water.
- 1,8% of Households do not have access to refuse removal and 2% uses own refuse dump. This is mainly in the rural areas of Knysna Municipality.
- 84% of Households are using electricity for cooking and heating
- Electric lighting is reported to be available to the majority 93% of households in the Knysna area. This is a 3% increase in comparison to 2007/2008 financial year.
- An alarmingly high percentage of households still use candles for lighting in Wards 2, 3 and 4, probably reflecting the increase in the number of informal settlements in the area. There's a focused approach to deal with this challenge in the poverty stricken wards.

The following table indicates the backlogs still to be addressed in the Knysna municipal area:

Area	Total nr of households	Timeframe to be addressed	Cost to address R'000
Housing	7981	15 years assuming funding is available	R800 000 (at existing costs)
Water	591	5 years	R 10 M
Sanitation	3682	5 years	R 13 M
Refuse removal (at least once a week at site)	0	0	0
Electricity (in house)	230 Hlalani	Depending on funding by July 2010	R2 million
Streets and storm water	-	-	-

Table 23: Service delivery backlogs

2.5.4 Capital budget spent on municipal services¹

The percentage (%) of the approved budget spent by each municipal service for the 2007/08 and 2008/09 financial years is as follows:

Financial Year	Housing (%)	Water (%)	Waste Water-Sanitation & Stormwater (%)	Refuse Removal (%)	Electricity (%)	Roads & Transport (%)	Community facilities (%)	Other services (%)
2007/2008	28.44	9.44	6.36	1.53	13.91	3.90	2.35	2.41
2008/2009	28.10	16.81	9.21	5.79	9.30	9.44	4.70	4.32

Table 24: CAPEX

¹ **Note:** Used Appendix C & E (2) of AFS.

2.5.5 Spending on capital budget

Fin year	% of Capital budget spent	Reasons for under spending
2007/ 2008	68.34	<ul style="list-style-type: none"> As a result of Councils decision to suspend the Sedgefield Waterworks program due to insufficient grant funding
2008/ 2009	87.65	<p>The following projects resulted in the largest under spends:</p> <ul style="list-style-type: none"> N & NE Bulk Water (Loan) (2.1 Million) Technical Services New Cemetery Knysna/Sedgefield (1.6 Million) Community Services Densification Electricity System: Knysna (1.3 Million) Electrical Services Nelson Street Substation (0.8 Million) Electrical Services Raw Water Pump Station (0.7 Million) Technical Services New Reservoir at Old Place (0.5 Millon) Technical Services

Table 25: Capital budget spending

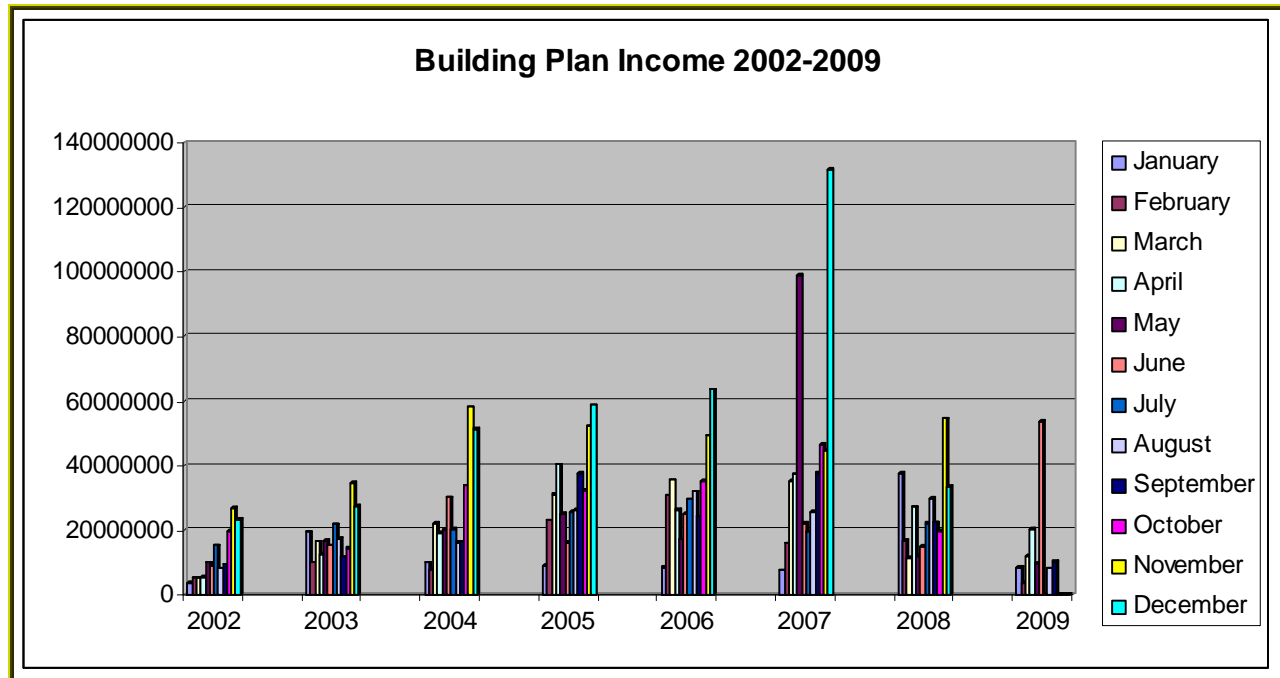
2.5.6 Housing

There is currently a waiting list for approximately 8 000 housing units. A total amount of R38.9million was spent on housing during the financial year under review. A summary of houses built, includes:

Fin year	Available funding R'000	Amount spent R'000	% spent	Number of houses built	Number of sites served
2008/ 2009	R30mil	R38.9mil	125%	245	508

Table 26: Housing

During the 2008/09 financial year the municipality received 419 building plans with a total value of R 267 895 592.



2.5.7 Municipal infrastructure and other grants

The Municipality received grants totaling R 90,583 million, approximately R 64,988 million for housing, infrastructure and other capital projects from National and Provincial Government and other Donors during the 2008/09 financial year. The performance in spending these grants can be summarized as follows:

Municipal Infrastructure Grant (MIG) & Disaster Funds/Allocations

MIG allocation	Available funding 2008/09 & unspent balance from previous years R'000 ²	Amount spent (capital & operating) R'000	% spent
2008/2009	9,921	4,866	49.05
2008/2009 additional disaster allocation	15,514	2,288	14.75
2006/2007 additional disaster allocation	12,118	5,678	46.86

Table 27: MIG

² Taken as the portion received in 2008/2009 – this DOES INCLUDE the unspent balance carried forward from previous years

The normal MIG grant for 2008/09 was utilised on the following projects:³

Project	Capital R'000	Operating R'000
Project Management Unit	18	358
Town Library Extension	70	-
Concordia High Mast Lights	178	-
Labour Intensive Sidewalks	63	-
Dam-se-Bos Sewer Extension	546	-
Karatara Raw Water Line	2,781	-
North & North East Bulk Water Supply	458	-
VAT on unspent grants	-	393

Other Grants for Capital projects

Financial year	Name of grant and Directorate	Project	Available funding 2008/09 R'000	Amount spent R'000	% spent
	Integrated Electrification Program / National: Minerals & Energy	Electrification of Infill Erven	240	240	100
2008/09	Integrated Housing & Human Settlement / Local Government & Housing	Vision 2002; Flenters/Robololo; Sedgfield Infill	41,868 (operating & capital)	41,972 (operating & capital)	100
	Library services / Arts & Culture	PALS and Tattle Tape System	98	98	100
	Non-Motorised Transport	Side walks	496	496	100
	District Priority Funding / EDEN	Nekkies/Hornlee Intersection	1,637	2,565	157
	National Lottery Distribution Board/Fund	Construction & Upgrade of Karatara & Bloemfontein Sports facilities	333	413	124
Total			44,672	45,784	103

Table 28: Other capital grants

³ Taken out of AFS and agrees to Appendix F of AFS

2.5.8 Spending priorities for next financial year with regards to service delivery

The spending priorities for the 2009/10 financial year as approved in the budget are as follows:

MTREF approved for 2009/2010

Project	Funding available 2009/10 R'000
Vision 2002	R 8.8 M
Top Structures(248)	R 15,1M
Extension of Slabs & Platforms	R 2.7 M
Sedgefield Top structures(45)	R 2.48 M
TOTAL	R 29,08 M

Table 29: MTREF approved for 2009/2010

2.6 LOCAL ECONOMIC DEVELOPMENT

LED Strategy

The LED strategy for the Knysna Municipality was finalized and was approved by Council in December 2008. The strategy was developed after a comprehensive process with all stakeholders. It identifies various issues and 6 strategic objectives for intervention such as:

- **Conducive environment**

Knysna Local Municipality plays an essential role in LED and their mandate is to create an environment enabling promote local economic development. Local Government contributes to this pillar through their main activities such as procurement etc. which will attract and not deter investment.

- **Broadening the economic base**

The local economy of Knysna is strongly focused on the services sector and this pillar supports specifically activities leading to the expansion of the services sector specifically retail and business opportunities. The establishment of this sector will lead to SMME's and larger investors providing goods and services which are sustainable and will lead to an increased investment and economic growth in the area.

- **Increased accessibility**

To ensure that all people living in the Knysna area have better access to improved services

- **Infrastructure investment**

The physical infrastructure in Knysna needs to have a sufficient carrying capacity to meet the needs of the citizens of the area. Therefore be it housing or bulk services, this type of investment is essential to promote LED in the area which is environmentally friendly.

- **Wealth creation**

In order for Knysna's economy to grow it is essential that the local economy grows through more investment and businesses being introduced into the area. The business opportunities which relate to specific leading sectors have been identified to diversify these sectors and create opportunities for local SMME's relating to viable business opportunities.



- **Attracting visitors and investors**

Knysna's local economy is built on the opportunities created by tourists visiting the area. It is essential that the tourism industry be further developed and investment into this industry be promoted to ensure continuous growth.

Growth and Development Strategy (GDS)

Progress with regard to the implementation of the GDS can be summarized as follows:

1) Establishment of a Municipal Development Agency

The Pre-Establishment agreement between Knysna Municipality and Industrial Development Corporation was signed.

The Industrial Development Corporation and Knysna Municipality signed the Pre-Establishment Agreement and the first transfer of funds from IDC to the value was made into a lawyers account of Knysna Municipality. A Coordinator will be appointed for a three months period.

(a) As part of the Social Corporate Investment programmes of IDC, Me Judy Abrahams (Senior Accounts Manager Western Cape) in conjunction with our Executive Mayor selected Derethecia Petersen for the IDC Adopt a Child Programme from Knysna Secondary School. IDC pay for all tuition cost for a Mathematical and Science tutor, school fees, stationary and winter school costs

(b) IDC also gave Amanda Ndlanga a LED Officer the opportunity to study at University of Western Cape in Local Economic Development for a year.

2) DEVELOPMENT OF A LED PLAN

The LED Plan was completed as well as the community consultation process to ascertain the view of the public. The first review of the LED Strategy will take place parallel to the IDP review process.

3) SMME Incubator

The KLM has assisted 14 Entrepreneurs through its SMME Incubator with equipment to run their businesses effectively. Red Door has assisted the entrepreneurs with their Business Plans. The LED Unit assisted 75 Entrepreneurs with training in Business Management.

4) NEIGHBOURHOOD DEVELOPMENT (NDPG):

The Business Plan & Marketing Plan of this development was submitted to numerous investors to secure their involvement. A second application for Nekkie/Hornlee was submitted to National Treasury and a amount of **R 64M** was approved for this project. The Masifunde and Nekkie/Hornlee Projects are in the process of being integrated as single Neighbourhood Development Project. A Township Regeneration Strategy (long term strategy-20 year plan) will be in the process of being developed for all township areas. The Knysna Municipal Development Agency will implement this project and attract private investors into the townships. The Directorate Strategic Services secure the construction of a Community Health Centre in the Masifunde Node. Construction will commence in January 2010. The Eastern Gateway Nodal Development (Nekkie/Hornlee) is to respond to the existing spatial public structure but recognizes the potential for future sustainable development opportunities, which:

Project 1: Development of transport, access, circulation, stop & drop facilities

Project 2: Building of pedestrian walkways and platforms

Project 3: Trading facilities for informal traders

Project 4: Upgrade of the Civic Node

Project 5: Development of Community Parks and Open Spaces

Project 6: Development of the Eastern Lagoon Edge Multi-purpose Park and Pedestrian/ Cycle Way

Project 7: Development of Sport Facilities and Amenities

5) LED INTERNSHIP PROGRAMME

The appointment of 10 LED Interns in the LED Unit has created a vibrancy and effective implementation of LED Projects. These Interns will be trained for one year in the field of LED. Six of these interns have been appointed as LED Officers in the LED Unit on a year contract basis.



6) BBBEE:

The Local Economic Development Unit, Department of Economic Development and Tourism trained 50 SMME's on Broad Based Black Economic Empowerment to familiarize the BBBEE Code and legislation.

7) LAUNCH OF THE KNYSNA CONTRACTOR DEVELOPMENT PROGRAMME

The LED Unit piloted the Knysna Emerging Contractor Development Programme in conjunction with the following partners:

- Lekamva Academy,
- Northlink College,
- Construction Education Training Authority,
- National Black Contractors Allied Trades Forum Western Cape and
- Department Public Works and Transport Western Cape.

A total of 120 Emerging contractors were trained over a two week period in all aspects of the contracting field. Two of this contractors secured contracts to the value of R 4 M from the upgrade of the Knysna Lagoon road.

11) LED INTERNSHIP PROGRAMME

Six out of the 10 LED Interns has been appointed as LED Officers in the LED Unit. This LED Internship Programme was funded in conjunction with Eden District Municipality.

12) TOURISM & TOURISM DEVELOPMENT:

Tourism is a key economic driver for economic development, and for creating opportunities for communities to become economically active. As Cape Town gears up for an unprecedented number of visitors during the 2010 FIFA World Cup™, meeting growth targets remains a focus. During 2008/09 the Council supported Knysna Tourism and its mandate has since been extended to include destination-marketing. A Service provider will be appointed to draft a Tourism Master Development Plan to ensure a holistic approach to tourism development.

13) SPORTS DEVELOPMENT:

The Sports Development Unit secured funding from the National Lottery Distribution Fund/Board for the upgrading and construction of sports facilities in the municipal area. We are in the process of constructing netball fields and ablution facilities in Karatara.

CHAPTER 3:
HUMAN RESOURCE AND
ORGANISATIONAL
MANAGEMENT

CHAPTER 3: HUMAN RESOURCE AND ORGANISATIONAL MANAGEMENT

3.1 INTRODUCTION

The Knysna Municipality employs 800 (601 permanent and 199 casual) officials, who individually and collectively contribute to the achievement of the Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

3.2 HUMAN RESOURCE MANAGEMENT

3.2.1 Human resource policies

The Human Resources Directorate has developed all relevant HR Policies to ensure effective and efficient functioning and good labour relations. The HR Directorate focused on the ABET, study bursaries and personal development of staff.

3.2.2 Skills development and training

The Work Place Skills Plan (WPSP) of the Municipality for the 2008/09 financial year and the Implementation Report for the 2007/08 financial year was submitted to the LGSETA on 30 June 2009. The amount spent on training was R 643,985; which is 0.64% of the employee related spend¹ of R 100,602,309 as at 30 June 2009. The training programmes that were completed by the municipal staff and councillors are summarised in the following tables:

¹ Taken from Statement of Financial performance in AFS. The amount spend on salaries ONLY (not total costs) is R 53,648,717 making the percentage spend 1,20%

Staff training

Name of training programme	Number of officials							
	Gender		Race					
	Female	Male	AF	AM	CF	CM	WF	WM
EPWP Training	-	1	-	-	-	1	-	-
LED Internship	9	1	7	-	2	1	-	-
Water Purification Learnership	1	16	1	6	-	10	-	-
Waste water process operations Learnership	-	3	-	-	-	3	-	-
Water Reticulation Learnership	-	8	-	2	-	6	-	-
Project Management	9	12	6	2	2	7	2	2
Supervisory Trainig	-	7	-	2	-	5	-	-
Batho Pele	16	6	10	4	5	2	1	-
Minutes and Minute Taking Course	8	1	3	-	5	1	-	-
Interviewing Skills	2	1	-	1	1	-	1	-
HIV/AIDS Management	1	1	1	1	-	-	-	-
ABET	3	26	1	19	2	7	-	-
Construction Supervision Learnership	-	4	-	-	-	4	-	-
Total	50	86	29	37	17	47	4	2

Table 30: Staff training

Councillor training

Name of training programme	Short description	Number of councillors							
		Gender		Race					
		Fe-male	Male	AF	AM	CF	CM	WF	WM
Executive Leadership Programme for Councillors (UWC)	Capacity building programme for councillors. NQF 5 (UWC School of Governance)	1	3	-	2	1	1	-	-
Total		1	3		2	1	1		

Table 31: Councillor training

Training in occupational health and safety has continued, improving investigations of incidents and empowering project and line managers, health and safety representatives, and Safety Committee members.

3.3 ORGANISATIONAL STRUCTURE

72 Employees were recruited in various Directorates during the 2008/09 financial year. These appointments were based on service delivery needs and the Employment Equity Plan of the Municipality. The biggest challenge for the municipality remains scarce skills and budgetary constraints. The Employment Equity Report for 2008/2009 was submitted to the Directorate of Labour on 1 October 2008.

DIRECTORATE	Gender		Race					
	Female	Male	AF	AM	CF	CM	WF	WM
Municipal Manager	-	-	-	-	-	-	-	-
Corporate Services	5	1	1	-	2	1	2	-
Financial Services	2	1	1	-	1	1	-	-
Community Services	2	10	1	2	1	8	-	-
Technical Services	1	5	-	3	1	1	-	1

DIRECTORATE	Gender		Race					
	Female	Male	AF	AM	CF	CM	WF	WM
Strategic Services	-	1	-	-	-	1	-	-
Planning and Development	1	3	-	-	1	2	-	1
Electro-technical Services	-	-	-	-	-	-	-	-
Total	11	21	3	5	6	14	2	2

Table 32: Appointments

3.4 ORGANOGRAM OF THE MUNICIPALITY

Management

The Municipal Manager is the Accounting Officer of the Municipality and heads the administration. He is primarily the chief custodian of service delivery and implementation of political priorities. He is assisted by direct reports from 6 Directors. The Management team is supported by staff employed by the municipality to deliver on municipal services and political priorities. The approved structure for the Administration has 800 posts.

The Municipal Manager and Directors are appointed on a fixed term contract period (MSA, s57) and the positions of these appointees were as follows:

Portfolio	Name of person	Employment contract in place / Acting	Performance agreements in place
Municipal Manager	Johnny Douglas	Yes	Yes
Corporate Services	Reginald Smit	Yes	Yes
Financial Services	Grant Easton	Yes	Yes
Planning and Development	Lauren Warring	Yes	Yes
Technical Services	Neale Perring	Yes	Yes
Strategic Services	Lubabalo Gwintsa	Yes	Yes

Table 33: S57 employees

3.4.1 Filled and vacant posts on post levels

The actual positions filled per post level and per functional level are indicated in the tables below:

PER POST LEVEL			
Post level	Approved	Filled	Vacant
MM & MSA section 57	7	7	0
Senior Management	25	23	2
Middle management	66	54	12
Admin Officers	290	229	61
General Workers	412	288	124
Total	800	601	199
PER FUNCTIONAL LEVEL			
Functional area	Approved	Filled	Vacant
Office of the Municipal Manager	3	3	0
Corporate Services	33	29	4
Financial Services	105	74	31
Community Services	293	232	61
Technical Services	259	187	72
Strategic Services	11	9	2
Planning and Development	41	29	12
Electro-technical Services	55	38	17
Total	800	601	199

Table 34: Filled and vacant posts

3.4.2 Statistics on posts filled

Posts filled									
Occupational categories	Male				Female				Total
	A	C	I	W	A	C	I	W	
Legislators, senior officials and managers	4	11	0	11	0	1	0	4	31
Professionals	9	11	0	9	3	8	0	8	48
Technicians and associate professionals	7	13	0	2	0	0	0	0	22
Clerks	32	54	0	12	18	31	0	23	166
Plant and machine operators and assemblers	20	25	0	0	1	0	0	0	46
Elementary occupations	131	126	0	3	13	15	0	0	288
Total permanent	203	236	0	37	35	55	0	35	601
Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	1	3	0	2	0	0	0	1	7
Senior management	3	8	0	9	0	1	0	3	24
Professionally qualified and experienced specialists and mid-management	9	11	0	9	3	8	0	8	48
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	17	27	0	6	0	0	0	1	51

Semi-skilled and discretionary decision making	42	65	0	8	19	31	0	22	183
Unskilled and defined decision making	131	126	0	3	13	15	0	0	288
Total permanent	203	236	0	37	35	55	0	35	601

Key function (Directorate)	Male				Female				Total
	A	C	I	W	A	C	I	W	
Municipal Manager's Office	0	1	0	1	0	0	0	3	3
Corporate Services	3	7	0	2	2	7	0	4	25
Financial Services	5	17	0	7	11	13	0	21	74
Community Services	99	84	0	10	17	20	0	6	239
Technical Services	73	89	0	7	3	7	0	0	183
Strategic Services	5	3	0	0	1	2	0	0	11
Planning and Development	6	10	0	1	1	6	0	3	28
Electro-technical Services	11	15	0	9	0	2	0	0	38
Total permanent	203	236	0	37	35	55	0	35	601

Table 35: Posts filled

3.4.3 Personnel expenditure compared to total operating expenditure

Financial year	Total Expenditure salary and allowances (R'000)	Total Operating Expenditure (R'000)	Percentage (%)
2007/08	87 534	281 499	31.10
2008/09	100 602	324 909	30.96

Table 36: Staff expenditure

3.4.4 Employment equity

The Employment Equity Act dictates that all workplaces must promote equity in terms of gender, race and disability. The municipality has an approved employment equity plan and the demographic information of the economically active population of the province compared to the workforce is as follows:

Description	Total	African	Coloured	Indian	White
Population numbers	3591676	1083972	1778818	51626	677250
% Population	100	30	50	1	19
Number for positions filled	601	237	286	–	78
% for Positions filled	100	39	48	–	13

Table 37: Employment equity vs. population

3.5 PERFORMANCE MANAGEMENT

The Municipality has developed and implemented a performance management system, as required by section 152 of the constitution, chapter 6 of the MSA and the MFMA. This is however not a comprehensive system due to the shortage of staff and budget to appoint the required amount of staff to implement. After the completion of the annual review of the IDP and the approval of the budget, the municipality prepares the SDBIP in accordance with the MFMA and MFMA Circular 13. The SDBIP indicates performance targets, financial performance targets and assigns responsibility to execute the respective KPA's. The KLM has adapted its Service Delivery and Budget Implementation Plan to serve as a performance and management tool/system. A Performance Management Policy Framework was developed and adopted by Council on 25 October 2007. The municipality assessed its performance on a quarterly basis and reported progress on performance against targets set to Council. The system currently only applies to section 57 appointees. The cascading down to other senior levels in the municipality and the capturing of the data electronically will be addressed in the 2010/11 financial year. A electronic SDBIP programme has been developed in this is assisting the management and councillors in getting updated information on the SDBIP.

The Performance Management Committee comprised of the following members:

Name of Member	Capacity
Ray Barrel	Chairperson
Lonwabo Ngoqo	Municipal Manager – Bitou Municipality (Member/Observer)
Roy Steele	Consultant (Member)
Johnny Douglas	Municipal Manager
Relevant portfolio councillors	Depending on specific manager
Cllr Eleanore Bouw-Spies	Executive Mayor- MM evaluation

Table 38: Performance Management Committee Members

SCHEDULE FOR PERFORMANCE REVIEWS

The performance of each Employee in relation to his/her performance agreement has been reviewed on the following dates with the understanding reviews in the first and third quarter may be verbal if performance is satisfactory:

Quarter	Review Period	Review to be completed by
1	July - September 2008	Informal: October 2008
2	October – December 2008	Developmental Panel Evaluation: February 2009
3	January – March 2009	Informal: April 2009
4	April-June 2009	Reward Panel Evaluation: September 2009

Table 39: Performance Management Reviews

CHAPTER 5: FINANCIAL PERFORMANCE

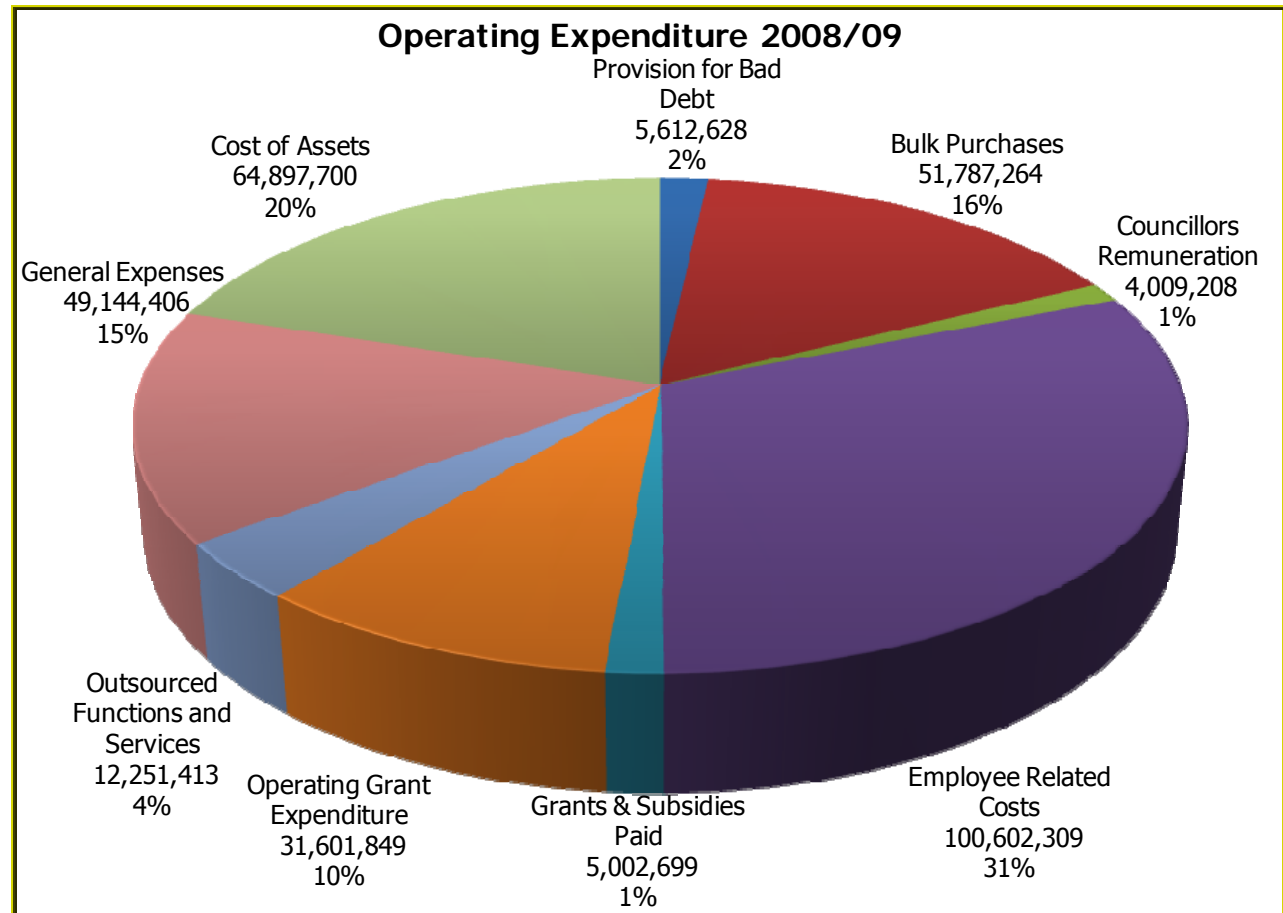
FINANCIAL STATUS

Summary of performance against budgets

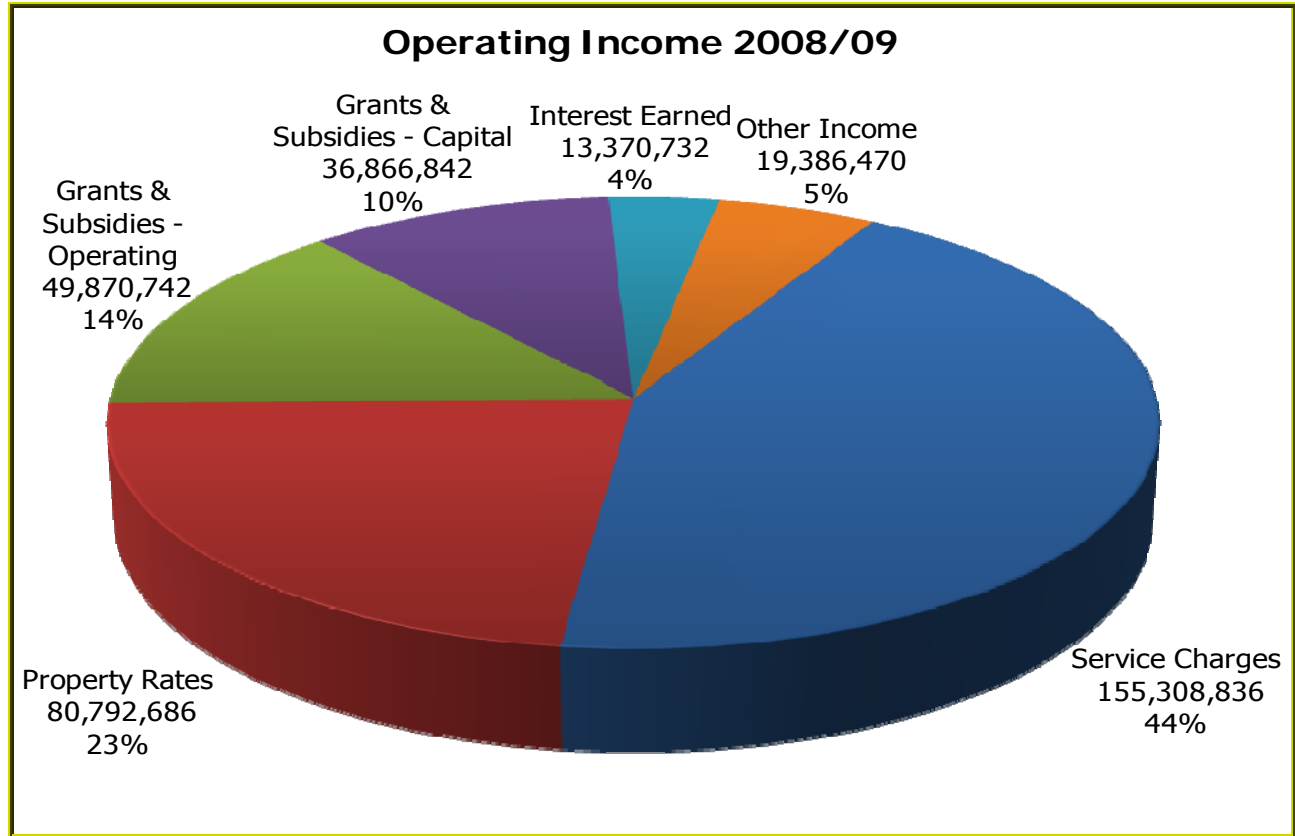
Year	Revenue				Operating expenditure			
	Budget R'000	Actual R'000	Diff. R'000	%	Budget R'000	Actual R'000	Diff. R'000	%
06/07	248 421	271 398	22 977	8.47	248 414	277 008	28 594	10.32
07/08	323 380	294 312	(29 068)	(9.88)	273 079	281 499	8 420	2.99
08/09	344 234	352 110	11 362	3.20	334 409	327 114	(9 500)	(2.92)

Table 50: Performance against budgets

Total operating expenditure 2008/09



Total revenue 2008/09



Gross outstanding debtors per service and total debtor age analysis as at 30 June 2008¹

Financial year	Rates	Trading services (Electricity and Water)	Economic services (Sanitation and Refuse)	Housing rentals	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000
2007/08	10 214	18 149	12 661	1 840	5 200	48 064
2008/09	16 399	27 861	16 322	2 618	3 774	66 974
Difference	6 185	9 712	3 661	778	(1 426)	18 910
% growth	61	54	29	42	(27)	39

¹ Note: Figures exclude provision for bad debt

year on year						
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Table 51: Gross outstanding debtors per service

Gross outstanding debtors (Excluding provision for bad debt)**Total debtors age analysis**

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000	R'000	R'000	R'000	R'000
2007/08	11 432	4 525	1 661	30 446	48 064
2008/09	19 307	7 212	2 889	37 566	66 974
Difference	7 875	2 687	1 228	7 120	18 910
% growth year on year	69	59	74	23	39

Table 52: Total debtor age analysis

The debtors increased by 39% year on year between 2007/08 and 2008/09. This can be contributed to the harshness of the economic recession and the increasing unemployment. Our credit control policy is being implemented and we are monitoring this situation very carefully.

Level of reliance on grants and subsidies

Financial year	Total grants and subsidies received (R'000)	Total Operating Revenue (R'000)	Percentage (%)
2007/08	79 379	296 677	26.06
2008/09	84 063	349 612	24.39

Table 53: Reliance on grants

Liquidity ratio

Financial year	Current assets (R'000)	Current liabilities (R'000)	Ratio
2007/08	87 676	89 384	0.94:1
2008/09	115 973	94 854	1.20:1

Table 54: Liquidity ratio

FINANCIAL STATEMENTS

REPORT OF THE AUDITOR GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE KNYSNA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Knysna Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 17 to 65.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2008 (Act No. 2 of 2008) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3)(a) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. Paragraph 11 *et seq.* of the Standards of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Knysna Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of the Knysna Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the Standards of GRAP and in the manner required by the MFMA and DoRA.

Emphasis of matters

Without qualifying my opinion, I draw attention to the following matters:

Amendments to the applicable basis of accounting

9. As set out in accounting policy note 1 to the municipality's financial statements, the municipality has adopted the transitional provisions as allowed by directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" as issued by the Accounting Standards Board.

Material losses

10. As disclosed in paragraph xx on page xx of the performance information, water distribution losses of 29% (1 286 mega litres) were incurred during the 2008-09 financial year.

Events after the reporting date

11. As disclosed in note 49 to the financial statements, an amount of R22,9 million was awarded to the municipality by the National Treasury for drought alleviation. The Southern Cape is experiencing a severe drought, which resulted in the greater Knysna area being declared a disaster zone.

Restatement of corresponding figures

12. As disclosed in notes 37 and 38 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of errors discovered during the 2008-09 financial year in the financial statements of the Knysna Municipality at, and for the year ending, 30 June 2008.

Material underspending on the budget

13. As disclosed in appendix E(1), the municipality has materially under spent on the budget for electricity services to the amount of R7 601 214. The underspending resulted from the fact that the expenditure budget for electricity services was increased to match the budgeted revenue, which was increased as a result of the electricity tariff increases as set out by the National Energy Regulator of South Africa. The municipality did not fully utilise the budgeted funds as the demand for electricity decreased.

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

14. The supplementary information set out on pages 66 to 71 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Governance framework

15. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the key governance responsibilities addressed below:

Key governance responsibilities

16. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	■	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		■
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	■	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines in section 126 of the MFMA.	■	
Availability of key officials during audit			

No.	Matter	Y	N
5.	Key officials were available throughout the audit process.	■	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. 	■	
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 	■	
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 	■	
7.	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 	■	
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 	■	
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 	■	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	■	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	■	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	■	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.		■
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	■	

No.	Matter	Y	N
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		■
14.	SCOPA resolutions have been substantially implemented.	Not applicable	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		■
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		■
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Knysna Municipality against its mandate, predetermined objectives, outputs, indicators and targets (section 68 of the MFMA).	■	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	■	

17. With the implementation of the Standards of GRAP, the municipality experienced difficulties in producing financial statements for audit purposes that were free from errors and omissions, although not in all instances material. This situation could have led to the qualification of the financial statements had the municipality not adjusted their financial statements during the audit, based on my findings.

18. This is indicative of a situation where:

- ongoing monitoring by the finance department is not effective enough to assess the effectiveness of internal control over financial reporting
- policies and procedures related to financial reporting, which aim to improve the quality of reconciliations and maintenance of underlying records and, therefore, the accuracy and completeness of financial reporting, are not adequately established and communicated to staff in the finance department
- management did not adequately identify risks relevant to accurate and complete financial reporting and actions were not taken to address such risks. These risks should be identified by way of a formal risk assessment process relating to the achievement of financial reporting objectives and/or by implementing a formal and regularly monitored financial management improvement plan, which includes actions to address not only the material findings arising from the prior year's external audit, but also the control and compliance deficiencies identified

in that audit. The risk assessment process should inform the agendas of the audit committee and internal audit unit, which are essential elements in the review of the design and implementation of sound internal controls to achieve good governance and accountability over financial reporting.

19. Actions implemented by management to address the prior year audit findings during the 2008-09 financial year proved to be less effective than anticipated by management as a number of those findings recurred.
20. The next few years will pose greater challenges for the municipality with the ongoing transition to full compliance with the Standards of GRAP and the implementation of additional, approved Standards of GRAP. In order to deal with the prevalence of material misstatements in financial statements that have to be corrected during the audit, the municipality needs to:
 - develop a strategy to improve financial management controls relating to compliance with accounting standards and reconciliation and maintenance of underlying accounting records, in order to produce accurate and complete financial statements
 - produce monthly financial accounts for review by management
 - subject the financial statements to a quality review before they are submitted for auditing, while the internal audit unit and audit committee can assist with evaluating the adequacy of the design and implementation of controls around the preparation of the financial statements.
21. The development of a performance management system that facilitates the preparation of a performance report that is accurate and complete and available for internal and external review in a timely manner, requires urgent attention from the accounting officer with the support of internal audit and the audit committee to ensure compliance with section 40 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

22. I was engaged to review the performance information.

The accounting officer's responsibility for the performance information

23. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the MSA.

The Auditor-General's responsibility

24. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
25. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
26. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

27. The municipality's performance management system policy framework does also not in all instances comply with the Local Government: Municipal Planning and Performance Management Regulations, 2001 (regulations), issued in *GNR.796 of 24 August 2001*, as:
- the framework does not specifically state that the performance targets must be practical and realistic as required by section 12(2) of the regulations
 - the framework does not state the importance of the set targets being commensurate with available resources and the municipality's capacity as required by section 12(1) of the regulations
 - the framework does not specifically indicate that the key performance indicators must be reviewed annually as required by section 11(1) of the regulations
 - the framework does not specifically indicate that whenever the integrated development plan is amended, the key performance indicators that will be affected by such amendments must also be reviewed as required by section 11(2) of the regulations.
28. Furthermore, directors set their own targets which are not clearly linked to the service delivery and budget implementation plan, which results in the targets not being in line with the priorities, objectives, indicators and targets contained in the integrated development plan, as required by section 38(a)(iii) of the MSA.
29. The revised service delivery and budget implementation plan was not approved by the council, as required by section 54(1)(c) of the MFMA, after changes had been made to the budget.
30. The municipality did not display an advertisement to the local community offering them an opportunity to comment on the draft integrated development plan, as required by section 15 of the regulations.

Performance information not received in time

31. An assessment could not be performed of the reliability of the reported performance information, as set out on pages xx to xx of the annual report, since the information was not received in time for audit purposes.

APPRECIATION

32. The assistance rendered by the staff of the Knysna Municipality during the audit is sincerely appreciated.

Cape Town

27 January 2010



MUNICIPAL MANAGER'S COMMENTS ON THE AUDITOR-GENERAL'S REPORT ON PERFORMANCE MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2009.

As part of Council's undertaking to improve performance management a new section within the Municipal Managers directorate was established with effect from 1 August 2009. This department known as Performance, Internal Audit and Risk Management will assist the Municipal Manager with the legislative requirements as set out in the Municipal Systems Act and Municipal Finance Management Act with regards to Performance Management System, Service Delivery and Budget Implementation Plan, Internal Audit and Risk Management.

The Integrated Development Plan process and the performance management process will be integrated. The IDP fulfils the planning stage of performance management. Performance management in turn, fulfils the implementation, management, monitoring and evaluation of the IDP.

Funding to enhance the current Performance Management System has been obtained from the Provincial Department of Local Government and Housing. These funds will be utilised to enhance and broaden the Council's current performance management system.

Performance contracts are to be cascaded to post level seven in 2009/2010. The remaining post levels will be implemented over the next two to three years.

The SDBIP is the first step to integrate the IDP and performance management system. SDBIP's have been in operation since 2006/2007 and form the backbone of the PMS within the Council linking with the IDP, Medium Term Revenue and Expenditure Framework, PMS and Performance contracts.

Both the Performance Management System and SDBIP systems are online and training has been supplied to all levels of management.

Section 57 employees (Directors) performance for 2008/2009 has been assessed in line with the Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal managers.

Other matters raised and not addressed above will be resolved as the Performance Management System matures.

J.B. Douglas

Municipal Manager

REPORT OF THE AUDIT COMMITTEE

2008/2009 FINANCIAL YEAR:

REPORT OF THE KNYSNA AUDIT COMMITTEE ON THE FINANCIAL STATEMENTS AND RESPONSE TO THE REPORT OF THE AUDITOR-GENERAL

INTRODUCTION

Apart from being required to assist Council in discharging Council's oversight responsibilities and to advise Council, its political office-bearers, Councillors, Management and staff on various matters, the Audit Committee is specifically mandated by the MFMA and the Audit Committee Charter to:

1. Review the Municipality's annual financial statements to provide Council with an authoritative and credible view of the financial position of the Municipality, its efficiency and effectiveness and its overall level of compliance with the MFMA and other applicable legislation.
2. Respond to Council on any issues raised in the audit report of the Auditor-General (A-G).

In our report, we shall deal with these two items in reverse order.

RESPONSES TO ISSUES RAISED IN THE AUDITOR-GENERAL'S REPORT FOR 2008/2009

Audit Findings

The Municipality, and particularly its Finance Directorate, is to be congratulated that it has received an unqualified audit report for the second year in succession. This is a very praiseworthy achievement, particularly in the light of the continuing process of adapting to the GRAP system of accounting and the municipality's staffing constraints. It is to be hoped that this high standard of performance will be maintained and that the other issues raised in the A-G's Report for action will be expeditiously attended to by Management.

Once again the A-G appointed external auditors to audit the Municipality's financial statements. The external audit team left the Municipality on 16 October 2009. As of that date, no audit queries had been raised with Management. Subsequently, however, as many as ninety-five audit queries were issued. In our view, that was inefficient auditing, leading to formal queries being raised which should have been asked and answered before the departure of the audit team and many of which appear to us not to have been material.

Fortunately, most of the audit queries were not carried over to the Management Report of the A-G and even fewer needed to find their way into the final A-G's Report; nevertheless, while the achievement of an unqualified audit report is praiseworthy and noteworthy, there are important matters raised in the A-G's Report which can broadly be described as governance issues and which require attention. We have grouped what we consider as the most important of these under the following headings:

1. Financial Reporting and Audit Issues

A number of material misstatements were detected and corrected during the audit process. These had not been prevented or detected by the Municipality's system of internal control. There were four categories of misstatement, each totalling in the millions of Rands. The A-G's Report also highlights the difficulties experienced by the Municipality, following the introduction of the GRAP requirements, in producing financial statements for audit purposes that were free from errors and omissions. After proceeding to analyse the reasons for this, the A-G points out that the next few years will pose greater challenges for the Municipality with the ongoing transition to full compliance with the Standards of GRAP and the implementation of additional approved Standards of GRAP.

The A-G's Report sets out as the steps which the Municipality needs to take to correct the situation, namely:

- Develop a strategy that has the overall aim to improve financial management controls relating to compliance with accounting standards and reconciliation and maintenance of underlying records, in order to produce accurate financial statements;
- Implement a discipline of producing monthly, or quarterly at a minimum, financial accounts; and
- Subject the financial statements to a quality review before they are submitted for auditing, while the internal audit unit and audit committees can play a crucial role in the review process of the financial statements.

In addition, the A-G's Report states that the internal audit plan and the audit committee's oversight should include processes to identify and mitigate risks to, and/or non-compliance with, financial reporting objectives.

We agree with all of the above, although there is no doubt in our minds that the ever-increasing GRAP regulations are a tremendous burden on all Government bodies, including Knysna Municipality.

The A-G also points to the fact that various previous years' audit findings, raised mainly as "other matters", had not been substantially followed-up. We think that such findings should, in the normal course of events, be dealt with within twelve months.

2. Risk

The A-G correctly points out that a risk strategy must be adopted and risk assessments be regularly carried out. In this regard, we would point out that the drawing up of an internal audit plan for 2009-2010 has still not been done, because no new risk assessment has been conducted for more than three years. We believe that these matters should receive urgent attention. Also the appointment of a risk committee, which the Auditor-General's Management Report points out, has not yet taken place, should be made as soon as possible. The audit committee could carry out the functions of a risk committee.

3. Performance Management

We agree with the A-G's views on the many performance issues he raises. The A-G's Report states that the development of a performance management system policy framework requires urgent attention from the Municipal Manager, as accounting officer, so as to facilitate the preparation of a performance report that is accurate and complete and available for internal and external review. Such a policy framework has been developed but has not been adopted by Council and is, in any event, deficient in many respects, as the A-G points out. Other deficiencies relating to performance issues are raised by the A-G, including the fact that directors set their own performance targets; these are not clearly linked to the SDBIP, which results in the targets not being in line with the priorities, objectives, indicators and targets contained in the IDP. We would add that this also leads to the setting of soft targets by some directors which can result in bonuses being awarded to them which are too high, out of line with those of their colleagues and bearing no proper relationship to the real performance of their directorates.

We would also add that, as of the 31 December 2009, the panel conducting the performance reviews of the senior management had still not completed the final overview of the performance interviews and approval of the report to be presented to Council. The whole process should have been completed by end July 2009, but was repeatedly delayed because, mainly, of the difficulties experienced in getting some of the panel members (whom the law requires to be part of the panel) and the facilitator together sufficiently early enough and for sufficiently long enough to enable the panel to complete its task timeously. Ways must be found to avoid this problem in future, in order not only to comply with the law but also to ensure that appraisals are consistent and held early enough to assist the managers to be more effective in the year ahead.

The good news, on the other hand, is that an official, of sufficiently high seniority and reporting to the Municipal Manager, has been appointed to handle inter alia the finalisation of a PMS, including electronic performance measurement, for presentation to Council, and to administer the system. Perhaps he could also act as facilitator in the performance review sessions.

During our meeting with her to discuss the audit report, the Auditor-General's representative suggested that the matters raised in the A-G's Report and the Management Report appear as regular items on the Audit Committee's Agendas, so that the Municipality's progress in addressing the matters raised by the Auditor-General can be monitored by the Committee. We agree with this suggestion and intend acting accordingly. We also intend monitoring the implementation of Audit Committee recommendations adopted from time to time by Council.

The A-G's Report also mentions certain matters under the heading "Emphasis of Matter" which are mainly of a technical nature, but should be noted. In particular, the reference to the water distribution losses of 29% for the year should be noted, not only because of the loss of revenue this represents but also because of our town's water-stressed status.

REVIEW OF MUNICIPALITY'S FINANCIAL POSITION, EFFECTIVENESS AND COMPLIANCE

Revenue

This year Total Revenue increased by R53m from R296m in 2008 to R349m in 2009. This represents an 18% increase which is double the rate of inflation. Property rates revenue, which increased by 39% as a result of the new valuations, was the main contributor to the increased revenue. Persistent increases of this magnitude will not be sustainable. Government Grants and Subsidies on the other hand only increased by R4,6m and made up 24% of Total Revenue compared to 26,8% in the previous year. The equitable share which made up 4,5% of total revenue in 2008 increased to 5,2% of Total Revenue in 2009. This Grant is meant to cover the cost of basic services to the indigent members of the community and this increase compensates to an extent for the increased cost of electricity. From the above it is clear that Knysna Municipality is not over-dependent on Grants to cover operating costs.

Expenditure

Employee-related costs increased by 15% but as a percentage of total expenditure only increased to 30,8% in 2009 from 30,6% in 2008. The national norm for employee-related costs is 40% which confirms that Knysna Municipality has many unfilled posts.

The cost of repairs and maintenance as a percentage of Total Expenditure has decreased from 6,5% in 2008 to 5,8% in 2009. The engineering norm for maintenance is between 6 and 9%. As the percentage is now below the bottom of the norm it indicates that more will have to be spent on maintenance in future if the Municipal assets are to remain productive.

Debtors

The debtors collection period has unfortunately increased from 92 days in 2008 to 104 days in 2009. This together with the increase in rates and service charges has resulted in debtors increasing by R12,75 m or 35%. This means that even more attention will have to be given to the collection of outstanding amounts.

Liabilities

The ratio of current assets to current liabilities has improved from 0,98 in 2008 to 1,22 in 2009. This ratio measures the ability of the Municipality to use its near cash assets to meet its current liabilities. The norm for this ratio is 1,75. The fact that this ratio is still far below the norm indicates a liquidity problem. The quick ratio which is the ratio of current assets excluding debtors and inventory has also improved from 0,55 in 2008 to 0,68 in 2009. The norm in this case is 1. These ratios indicate the current financial health of the organization and are very important to creditors and particularly long term loan creditors. This area continues to be of major concern and must receive further urgent attention in order to effect improvements in the future. Management is well aware of this and is doing what it believes is necessary to manage the situation. Its task will be made more difficult due to South Africa's slow recovery from recession, the proposed increases in electricity tariffs and the ongoing need to meet the service delivery requirements of the town.

Compliance, Efficiency and Effectiveness

As far as compliance with the provisions of the Municipal Finance Management Act (MFMA) and other legislation in relation to financial matters is concerned the Municipality continues to do well, particularly when compared to other Municipalities. The difficulties related to compliance with GRAP requirements have been referred to above.

As noted earlier, there is still room for considerable improvement in the area of performance management and measurement. Until this is fully addressed, the Municipality will not be able to meet the required standards of efficiency and effectiveness required to manage the town and achieve the necessary standard of service delivery.

RECOMMENDATIONS AND CONCLUSION

Despite the sub-standard field work by the outsourced auditing team, referred to above, we believe the Auditor-General has produced an excellent Report which gives not only reasoned criticism but also logical suggestions for improvements. The Report must be studied and acted upon by the Municipality.

We recommend that Council –

1. Note the Auditor-General's Report and the Audit Committee's Report;
2. Approve the Municipality's audited Financial Statements for the year 2008/2009; and
3. Direct the Finance, Economic Development and Governance Committee to review, at its February 2010 meeting, the Auditor-General's Report and the Audit Committee Report and draw up proposed action for consideration by Council and Management arising out of these Reports.

We express our thanks to the Municipality's senior Management and staff (especially the Financial Director and his staff), the Executive Mayor and Council's other political office-bearers, Councillors, the Auditor-General's staff and contracted-out auditors, and the Internal Auditor's staff for co-operation during the past year.

R BARRELL (Chairperson)
P BASTIAN
N METELERKAMP
D MULLER

Knysna
6 January 2010